

Baromfi-Coop Kft.

Rating report

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	+/-0 notches
Governance & structure	+/-0 notches	
Parent/government support	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		
BB		

Key metrics

Scope credit ratios*	Scope estimates			
	2023	2024	2025E	2026E
Scope-adjusted EBITDA interest cover	>20x	>20x	12.8x	9.3x
Scope-adjusted debt/EBITDA	2.4x	1.9x	2.6x	2.7x
Scope-adjusted funds from operations/debt	41%	51%	35%	33%
Scope-adjusted free operating cash flow/debt	6%	6%	3%	-6%
Liquidity	121%	>200%	186%	>200%

Rating sensitivities

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

- Neutral or positive free operating cash flow (FOCF)
- Debt/EBITDA kept below 3.0x

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

- Negative FOCF
- Debt/EBITDA at or above 3.0x

*All credit metrics refer to Scope-adjusted figures.

Issuer

BB

Outlook

Negative

Senior unsecured debt instruments

BB-

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Related methodologies

[General Corporate Rating](#)

[Methodology](#), Feb 2025

[Consumer Products Rating](#)

[Methodology](#), Oct 2025

Table of content

1. Key rating drivers
 2. Rating Outlook
 3. Corporate profile
 4. Rating history
 5. Financial overview (financial data in HUF,000)
 6. Environmental, social and governance (ESG) profile
 7. Business risk profile: BB
 8. Financial risk profile: BB-
 9. Supplementary rating drivers: +/- 0 notches
 10. Debt ratings
- [Appendix 1. Peer comparison \(as at last reporting date\)](#)

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Family business with a fully integrated approach covering the whole value chain including crop production, chicken meat processing and fully controlled production (circular economy) (ESG: credit-positive) • Largest chicken processing company in Hungary (approx. 40% market share) and number 20 in Europe by size (estimated 1.5% market share) • Solid EBITDA margin (11%-15%) – investments in modernisation of processes, ramp-up of by-products and solar power generation to minimise operational costs despite higher labour costs • Up to 15% of all chicken products sold by McDonald’s in Europe are supplied by Baromfi-Coop • Resilient business model: successful management of Covid pandemic, bird flu and high inflation with regard to both top line and EBITDA level	• Low diversification, characterised by concentrated production sites and focus on one product category (chicken and related processed products) (ESG: credit-negative) • Pressured FOCF driven by ambitious growth (ESG: credit-negative) and characterised by heavy investment phase and working capital swings due to significant investment planned for the new slaughtering facility • Increasing labour costs and low unemployment mitigated by industry modernisation and imports of Asian workforce (for whom decent housing is provided under own operation and ownership) • Full consolidation of related entities is not yet complete, which hinders a full picture of vertical integration from crops to finished products, especially for cooked/frozen products.

2. Rating Outlook

The Negative Outlook reflects our expectation that the new investment-heavy cycle will put significant pressure on Baromfi-Coop’s credit metrics. We consequently anticipate that FOCF will turn negative and debt/EBITDA will increase to around 3x over the next few years.

3. Corporate profile

Baromfi-Coop, headquartered in Debrecen, Hungary, operates along the whole value chain in the chicken processing industry. The entity is fully owned by the managing Bárány family and, since 2023, via the Bárány Family Trust Foundation (in Hungarian: Bárány Családi Vagyonkezelő Alapítvány). The Bárány family has a history of almost 115 years in the industry. Baromfi-Coop is the eighth largest family business in Hungary.

Family-owned business

While Baromfi-Coop covers the agricultural activities of the group (procurement and corn farming), Master Good focuses on the primary processing of live poultry, the manufacturing of prepared and further processed products, as well as sales. Besides its main farm in Kisvárdá, Baromfi-Coop operates a hatchery in Petneháza, as well as feed production plants in Nyírkércs, Balsa and Nyírmada. The group is the largest employer in the region with over 3,100 employees.

Full vertical integration

The group was a pioneer of the circular economy in Hungary and operates with full vertical integration from the agriculture sector to the food industry. As of year-end 2024, the group was the number one player in Hungary with capacities ranking among the 15 largest in Europe.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
20 Nov 2025	Outlook change	BB/Negative
19 Nov 2024	Upgrade	BB/Stable
5 Dec 2023	Outlook change	BB-/Positive

5. Financial overview (financial data in HUF,000)

			Scope estimates		
Scope credit ratios	2023	2024	2025E	2026E	2027E
EBITDA interest cover	>20x	>20x	12.8x	9.3x	7.3x
Debt/EBITDA	2.4x	1.9x	2.6x	2.7x	3.0x
Funds from operations/debt	41%	51%	35%	33%	29%
Free operating cash flow/debt	6%	6%	3%	-6%	-16%
Liquidity	121%	>200%	186%	>200%	196%
EBITDA					
Reported EBITDA	26,310,240	34,115,177	33,648,825	33,676,114	35,460,526
Operating lease payment	1,385,259	1,907,803	1,907,803	1,907,803	1,907,803
Other items (incl. one-offs)	(38,248)	3,550	-	-	-
EBITDA	27,657,251	36,026,530	35,556,628	35,583,917	37,368,329
Funds from operations (FFO)					
EBITDA	27,657,251	36,026,530	35,556,628	35,583,917	37,368,329
less: interest	(573,218)	(506,683)	(2,783,420)	(3,836,343)	(5,096,343)
less: cash tax paid	(106,899)	(228,841)	(187,567)	(167,557)	(154,175)
Funds from operations	26,977,134	35,291,006	32,585,641	31,580,016	32,117,810
Free operating cash flow (FOCF)					
Funds from operations	26,977,134	35,291,006	32,585,641	31,580,016	32,117,810
Change in working capital	(8,709,570)	(7,137,254)	(3,756,315)	(1,188,521)	(2,505,751)
Non-operating cash flow	1,629,305	1,453,974	-	-	-
less: capital expenditures (net)	(14,670,000)	(24,058,876)	(24,177,607)	(34,150,880)	(46,463,838)
less: lease amortisation	(1,139,656)	(1,569,554)	(1,569,554)	(1,569,554)	(1,569,554)
Free operating cash flow	4,087,213	3,979,296	3,082,165	(5,328,939)	(18,421,332)
Interest					
Net cash interest per cash flow statement	327,615	168,434	2,445,172	3,498,095	4,758,095
add: interest component on operating leases	245,603	338,249	338,249	338,249	338,249
Interest	573,218	506,683	2,783,420	3,836,343	5,096,343
Debt					
Reported financial (senior) debt	81,074,698	84,467,586	156,290,993	136,290,993	136,290,993
less: cash and cash equivalents	(19,606,115)	(22,271,982)	(92,677,554)	(62,935,352)	(40,571,565)
add: non-accessible cash ¹	-	-	23,169,389	15,733,838	10,142,891
add: operating lease obligations	4,912,060	6,764,975	6,764,975	6,764,975	6,764,975
Debt	66,380,643	68,960,579	93,547,803	95,854,454	112,627,294

¹ We deem that not all cash will be accessible and permanent due to large capex program.

6. Environmental, social and governance (ESG) profile²

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 group has a high level of efficiency and vertical integration from agricultural activity to finished fresh meat products and processed meat products. By-products are also sold with added value for pet food or as fertiliser. This makes for a strong focus on the circular economy.

Vertically integrated

The recent investments in the modernisation of facilities focused on decreasing energy and water needs, reducing waste and maintaining the high levels of the biosecurity systems in place. The plan is to apply similarly high standards to the construction of the new slaughterhouse and to the new farms. The group has also been developing its own solar energy production plant to cover some of its energy needs.

ESG-compliant operations

Baromfi-Coop has an ambitious growth strategy, characterised by large capex cycles aimed at the vertical integration of the business, the circular economy with increased production output, and expanding market reach beyond the domestic market. While this increases efficiency and supports business growth, it also introduces execution and financial risks. We therefore view the strategy as credit-negative under management and supervision. Notably, Baromfi-Coop has a track record on the execution of large-scale investments.

Elevated execution and financial risk

The group is also exposed to moderate physical risks inherent to the industry (e.g. diseases) and the concentration of assets in one location. An unforeseen event in the facilities in Kiszvárd, such as a fire or disease outbreak, would impact most of production. However, Baromfi-Coop adheres strictly to EU operation standards and has high-level biosecurity systems in place, with very modern facilities, which minimises the likelihood of such events.

Moderate physical risk and asset concentration

The group does not consolidate all related parties and owned companies as part of the value chain (e.g. Steam Cook and Várda Meat), as these could then lose their SME status and the related HIPA subsidy as well as the cheap financing contracts their SME status provides. Furthermore, the company has still not upgraded to a Tier 1-2 auditor despite significant growth in the past few years.

Complex corporate structure

² 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

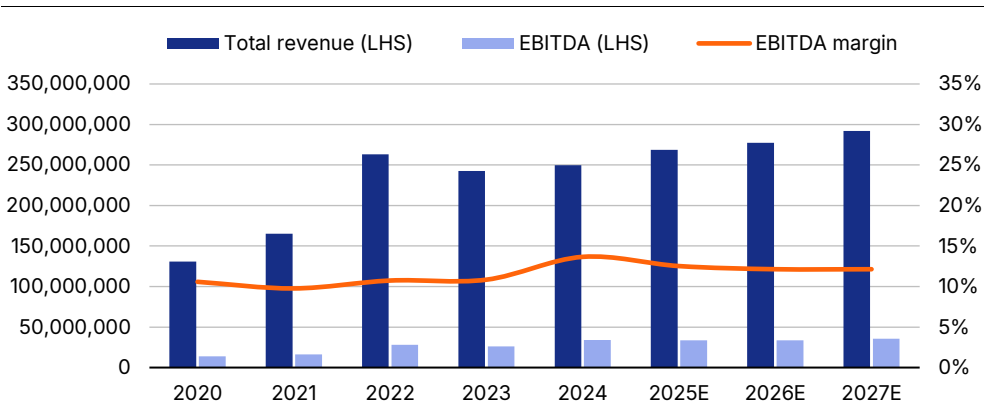
Baromfi-Coop’s business risk profile is driven by its leading position in Hungary. The group also has solid product quality and a developing brand, leading to a moderate market share assessment. Profitability is in the double-digit range with low-to-medium volatility. Low diversification in terms of product categories and the locations of production assets constrains the assessment.

Moderate business risk profile

Our blended industry risk rating is unchanged at A-, reflecting the group’s exposure to consumer products (majority of revenues and EBITDA) and agriculture businesses. The industry risk assessment consists of an A industry risk rating for non-durable consumer products (low cyclicality, medium market entry barriers, low substitution risk) and BBB for agribusiness (high cyclicality, high market entry barriers, low substitution risk).

Blended industry risk profile: A-

Figure 1: Revenue and EBITDA development



Source: Scope estimates, Baromfi-Coop

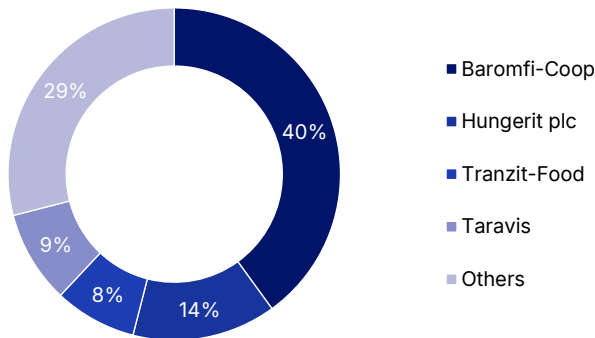
Baromfi-Coop is one of the largest food producers in Hungary and market leader in the country's poultry industry, with revenues in 2024 of HUF 245bn (EUR 0.6bn, up 3.4% YoY). The group is responsible for over 40% of all poultry produced in the country with the majority being raised on its own farms.

Market leader in Hungary

This position is mainly thanks to a very high level of integration and security compared to peers, as the group oversees all the processes involved from farming to the finished product. Baromfi-Coop controls the production of grain used to feed livestock, the hatchery processes and the monitoring of the genetic pool of birds. It also has high-end technology and biosecurity systems (ahead of industry standards) for slaughtering processes to avoid any contamination or disease outbreaks.

Vertical integration

Figure 2: Hungarian market share as of 2024



Source: Scope estimates

Baromfi-Coop remains a small player in a European context, holding an approx. 1.5% market share. In Central and Eastern Europe (CEE) its market share is around 5%. Other large chicken producers, such as LDC Group (the majority owner of Tranzit Food Kft.), typically have farms and

Small player in European context

slaughterhouses in larger regions and several countries, supporting production on a large scale. In 2024, for instance, Baromfi-Coop slaughtered approx. 230,000 tons of chicken, while LDC produced four times this amount.

A significant production growth is limited by its sole location in eastern Hungary and concentration in one product category. However, we acknowledge that setting up a new location with a circular economy takes time.

Baromfi-Coop products are well known on the market, especially in the B2B segment. This results in strong relationships and sales with all of Hungary's significant retailers as well as major international anchor buyers such as OSI Food (McDonald's) and Iceland Foods. The relationship with McDonald's is also a positive rating driver. The group supplies up to 15% of all chicken products sold by McDonald's in Europe, and McDonald's has been the group's customer for over 15 years (accounting for approx. 18% of revenues in 2024).

Strong customer relationships

Although Baromfi-Coop has about 250 customers, the top 10 account for over 60% of sales. This negative factor is mitigated by its long-term relationships with customers and the fact that its biggest customers are large, well-known retail companies such as SPAR and Tesco. Additionally, the quantities sold by the group cannot be easily replaced by competitors on the domestic market.

Given its focus on chicken meat production, Baromfi-Coop would be highly sensitive to a sharp decline in demand for the meat, e.g. due to a local outbreak of avian flu. However, we believe that the group's animal stock is well protected from infection and thus from emergency slaughter in such an event. This assumption is grounded on its stringent hygiene regulations, including farms which operate as self-sufficient systems that include wastewater purification. Sustainability is strengthened by diversification through the use of by-products such as pet food and fertiliser, which also generate high margins.

Strict hygiene regulations

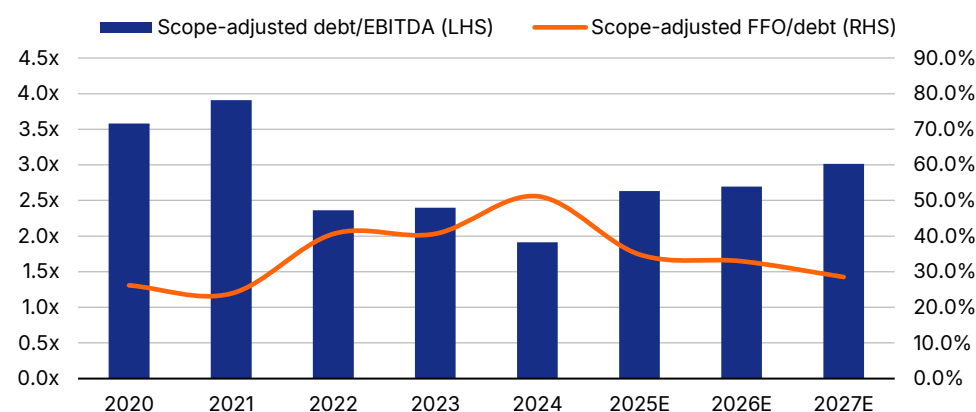
Baromfi-Coop's profitability continues to be credit-supportive. Over the past few years, operating profitability (14.7% in 2024) has been in double digits with low-to-medium volatility. In Hungary, this is generally only achieved by consumer product players with full vertical integration. Nominal EBITDA increased to HUF 36bn in 2024. This was driven by price increases (the group is already operating at full capacity) and improved efficiency, which brought operating costs down by 2% YoY. Going forward, we expect margins to continue ranging around 13%.

Moderate profitability with a low-to-medium volatility

8. Financial risk profile: BB-

We expect the group's financial risk profile to be weakened by negative FOCF due to the capex-intensive nature of the industry and owner-management's growth aspirations. Moderate leverage and interest cover, thanks to robust EBITDA and fixed-rate debt instruments, of which a large portion is issued in euros, should remain supportive of the group's financial risk profile.

Figure 3: Leverage metrics



Source: Scope estimates, Baromfi-Coop

In 2025, the group announced the construction of a new slaughterhouse facility and the expansion of farms over the next three years. This will be financed via debt issuance, government subsidies and Baromfi-Coop's own sources. Baromfi-Coop expects to double its current production capacity and nearly double revenues by the time the investment is concluded in 2028.

We therefore expect Scope-adjusted debt/EBITDA to rise from 1.9x in 2024 to 3.0x by 2027 and funds from operations/debt to decline from 51% to 29% as a result of the increased debt levels (up to HUF 112bn by 2027) and higher cost of debt. At the same time, we assume that EBITDA will be maintained at similar levels (approx. HUF 35bn yearly) until the construction work is finished. We also note that Baromfi-Coop's management has a good track record with regard to large-scale investments, most recently for the modernisation of facilities concluded in 2023.

The interest rate for the new secured bond is 75 bps higher than the rate for the existing bonds (3.75% vs 3% or below) and cash proceeds should also be used to repay the HUF 14bn maturing in 2026. Growth will require additional working capital, which comes at a higher cost than existing debt and often at variable rates linked to Euribor. However, the switch from Hungarian forints to euros provides some interest cost relief and the company's high export revenues and related working capital requirements create a natural hedge.

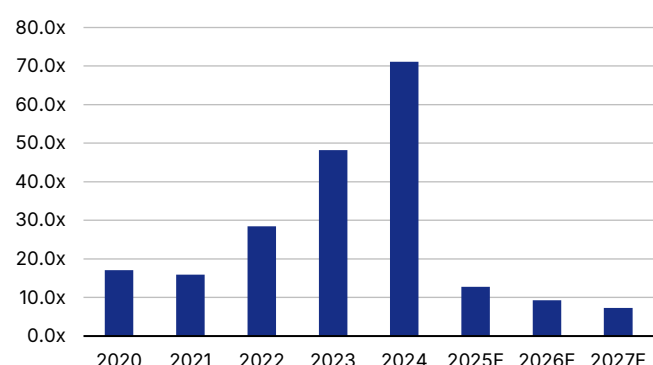
Strong EBITDA growth and high interest received on cash deposits resulted in Scope-adjusted EBITDA/interest cover of 71.1x in 2024 (up from 48.2x in 2023). Going forward, we expect a gradual decline to 7.3x by 2027. This is because debt is being issued at a higher interest rate, and we foresee a decline in cash reserves as they are spent on growth capex and servicing debt.

Business expansion in 2026-2028

Leverage pressure amid investment phase

Strong interest cover and cash position

Figure 4: Interest cover



Source: Scope estimates

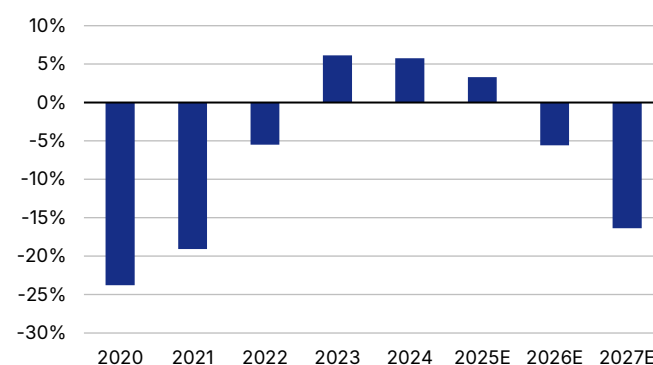
Cash flow cover (Scope-adjusted FOCF/debt) has historically been weak. This is due to the group's focus on continuously expanding the business, while achieving full vertical integration and a circular economy, which requires high capex and working capital. By 2027, we expect FOCF to be negative at HUF 18bn driven by high growth capex.

We expect government subsidies to continue to partially offset this FOCF pressure. As part of the new expansion, the group has again secured state support for the 2026-2028 period amounting to HUF 41bn. Moreover, high nominal EBITDA, the high level of automation in existing facilities (which we expect to be implemented in the new ones), and the low volatility of operating profitability (coupled with the reinvestment of profits) allow Baromfi-Coop to stay on its growth path.

Liquidity is adequate and expected to be around 200% in 2025-2027. Although we expect negative FOCF in 2026-2027, the cash balance was a robust HUF 22bn in 2024. Baromfi-Coop's next debt maturity is in 2028 (HUF 14.5bn), when the company concludes its new investment phase.

Part of the new senior secured bond (HU0000365630), amounting to EUR 140m (approx. HUF 56bn), will be used to refinance the HUF 14bn bond maturing in 2026. The remaining proceeds will partially finance investments in capex over the next three years. This bond starts amortising at HUF 11.2bn yearly from 2028 until maturity in 2033.

Figure 5: Cash flow cover



Source: Scope estimates

Low and volatile cash flow cover

Adequate liquidity

Furthermore, the company has access to an undrawn aggregated amount of HUF 2.7bn in credit facilities/unused overdraft lines (HUF 12.8bn total amount) and all Baromfi-Coop's cash is available.

Baromfi-Coop's senior unsecured bonds, guaranteed by subsidiary Master Good and issued under the Hungarian National Bank's Bond Funding for Growth Scheme, have a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 51.5bn as of YE 2024) 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. Following the downgrade of the unsecured debt instruments, the rating headroom to entering the grace period is of one notch.

In addition to the rating deterioration covenant, bond covenants include a list of other covenants such as change of control. Financial covenants in bank agreements contain net debt/EBITDA of max. 3.5x. We therefore see no imminent risk of this covenant being triggered and/or enforced in the short term.

Table 1: Liquidity sources and uses (in HUF, 000)

	2024	2025E	2026E
Unrestricted cash (t-1)	19,606,115	22,271,982	92,677,554
Open committed credit lines (t-1)	2,682,705	2,682,705	2,682,705
FOCF (t)	3,979,296	3,082,165	(5,328,939)
Short-term debt (t-1)	5,186,044	15,076,593	35,000,000
Liquidity	>200%	186%	>200%

Source: Scope estimates

9. Supplementary rating drivers: +/- 0 notches

Baromfi-Coop continues to be strongly committed to a neutral financial policy, keeping net leverage below 3.5x and the dividend capped at 20%, in line with the bond covenants, as well as maintaining proper headroom.

Credit neutral

During investment-heavy cycles (e.g. elevated capex), management has demonstrated an ability to preserve cash flows by reducing or withholding dividend payments, not executing M&As, and focusing on efficiency measures.

The owners' ambition to potentially contribute Steam Cook Kft. and Várda Meat Kft. in-kind, both owned by the Bárány family, will further increase the group's vertical integration as both companies process certain convenience foods (such as frozen and breaded products). Future contributions in-kind to make those companies part of Baromfi-Coop would be creditor-friendly as their leverage is similar to that of the issuer, and no cash would be paid from the structure.

Moreover, the Bárány family has been running the company proactively for decades and remains strongly committed to its long-term success. This commitment is underpinned by: i) the fact that most of the profits have been reinvested in the past decade by both the third and fourth generation; and ii) the ambition to double production by 2028 and increase market penetration outside of Hungary.

10. Debt ratings

We have downgraded to BB- from BB the rating of the following unsecured debt instruments: HU0000359294, HU0000359302, and HU0000360706. These unsecured bonds are guaranteed by subsidiary Master Good, which is majority owned by Baromfi-Coop and fully consolidated.

Senior unsecured debt instruments: BB-

The debt rating is based on a hypothetical liquidation scenario as of end-2027, for which we computed a 'low' recovery for the holders of senior unsecured guaranteed bonds. The downgrade reflects the introduction of a senior secured bond (HU0000365630), ranking ahead of unsecured

bonds in the event of default in 2027. The secured loan pledges over the assets of the company, which are the main sources in the liquidation scenario.

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

	Baromfi-Coop Kft.	Kometa 99	Tranzit-Food	Bonafarm
Issuer rating/Outlook	BB/Negative	B+/Stable	BB-/Negative	BB/Stable
Last reporting date	31 December 2024	31 December 2024	31 December 2023	31 December 2024
Business risk profile	BB	BB-	BB-	BB+
Size (revenue in EUR, bn)	0.6	0.2	0.1	1.0
Diversification	Agriculture and chicken; Domestic exposure and exports.	Pork; Domestic focused	Agriculture and geese/duck; Domestic focused	Agriculture and animal farming (pig and cattle)
Operating profitability (EBITDA margin)	13.9%	5.9%	4.6%	5.2%
Financial risk profile	BB-	B+	BB+	BB-
EBITDA interest cover	>200x	8.5x	Net interest income	-46.0x
Debt/EBITDA	1.9x	4.5x	0.2x	2.3x
FFO/debt	51%	19%	430%	43%
FOCF/debt	6%	-23%	463%	-38%
Standalone credit assessment	BB	B+	BB-	BB-
Supplementary rating drivers	-	-	-	+1

* Subscription ratings available on ScopeOne
Sources: Public information, Scope

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