

Duna Aszfalt Zrt.

Hungary, Construction

Rating composition

Business risk profile		
Industry risk profile	B	B
Competitive position	B	
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	Net cash interest	Net cash interest	16.8x	8.1x
Scope-adjusted debt/EBITDA	0.2x	1.6x	3.2x	3.1x
Scope-adjusted funds from operations/debt	427%	61%	27%	26%
Scope-adjusted free operating cash flow/debt	73%	71%	27%	23%
Liquidity	No ST Debt	No ST Debt	>200%	>200%

Rating sensitivities

The upside scenario for the rating and Outlook:

- Improved diversification of the order book by customers, segments, geographies and projects as well as debt/EBITDA maintained below 3.0x (remote)

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

- Debt/EBITDA of above 3.5x on a sustained basis
- Reduced visibility of cash flow from European activities, as evidenced by a backlog of below 2x

*All credit metrics refer to Scope-adjusted figures.

Issuer

BB-

Outlook

Stable

Senior unsecured debt

BB-

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Related methodologies

[General Corporate Rating](#)

[Methodology](#), Feb 2025

[Construction and Construction](#)

[Materials Rating Methodology](#), Jan 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
<ul style="list-style-type: none">• Good profitability, ahead of peer levels, but to be diluted by acquisitions of less profitable peers• Robust credit metrics despite expected increase, with leverage remaining at 3.0x-3.5x of debt/EBITDA; around 20%-25% of funds from operations/debt and EBITDA interest coverage of above 7x• Improved geographic footprint in Central and Eastern Europe following Mota-Engil acquisition (Poland) in Q3 2024 (now Duna Polska) and bolt-on acquisitions in Romania and the Czech Republic; non-domestic sales set to reach above 20%• Track record of winning tenders and an order backlog representing 3.3 years of revenues	<ul style="list-style-type: none">• Focus on local industrial and civil engineering projects, a highly cyclical segment with low barriers to entry• Revenue concentration in both building and motorway construction• Dependence on government tenders• Market position reliant on projects with state-owned companies, which poses regulatory and reputational risks (ESG factor)

2. Rating Outlook

The **Stable Outlook** reflects our expectation that the issuer can successfully integrate Duna Polska’s operations, and that credit metrics will remain at levels commensurate with the assigned rating. This includes debt/EBITDA below 3.5x and EBITDA interest coverage above 7x, considering a substantial increase in gross debt. This is because the company will utilise its balance sheet headroom after a long history of being under-leveraged and despite increased volatility in cash generation due to i) the chunky order backlog; ii) potential changes in Duna's competitive environment; and iii) declining operating profitability, with acquired companies diluting the currently good EBITDA margin. The Outlook further reflects the expectation that the African project will be delivered on time and within budget, however, with no operational cash flow from it in the forecast horizon.

3. Corporate profile

Founded in 1996 and 100% owned by László Szijj, Duna is one of the largest players in Hungarian road construction and renovation. Further segments include the laying of utility lines, the construction of water and sewage treatment structures, and bridge building. Duna also provides heavy equipment and operates asphalt-mixing plants, quarries as well as emulsion production and laboratory facilities.

Contractor specialising in road construction and renovation

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
10 Sep 2025	Affirmation	BB-/Stable
10 Oct 2024	Affirmation	BB-/Stable
12 Oct 2023	Affirmation	BB-/Stable

5. Financial overview (financial data in HUF m)

Scope credit ratios	Scope estimates					
	2022	2023	2024	2025E	2026E	2027E
EBITDA interest cover	75.0x	Net cash interest	Net cash interest	16.8x	8.1x	Net cash interest
Debt/EBITDA	0.8x	0.2x	1.6x	3.2x	3.1x	5.4x
Funds from operations/debt	106%	427%	61%	27%	26%	21%
Free operating cash flow/debt	7%	73%	71%	27%	23%	19%
Liquidity	No ST debt	No ST debt	No ST debt	>200%	>200%	>200%
EBITDA						
Reported EBITDA	22,235	50,089	31,517	64,840	65,720	32,600
Other items (incl. one-offs) ¹	10,189	2,729	32,051	-	-	-
EBITDA	32,424	52,818	63,568	64,840	65,720	32,600
Funds from operations (FFO)						
EBITDA	32,424	52,818	63,568	64,840	65,720	32,600
less: interest	(432)	591	922	(3,864)	(8,101)	7,348
less: cash tax paid	(3,744)	(2,691)	(3,631)	(5,060)	(4,405)	(2,705)
Other non-operating charges before FFO	-	-	-	-	-	-
Funds from operations	28,247	50,719	60,860	55,916	53,215	37,243
Free operating cash flow (FOCF)						
Funds from operations	28,247	50,719	60,860	55,916	53,215	37,243
Change in working capital	(29,384)	(21,987)	18,134	19,126	(216)	2,935
Non-operating cash flow	13,918	(792)	333	918	-	-
less: capital expenditures (net)	(11,011)	(19,312)	(7,928)	(19,556)	(6,851)	(7,016)
Free operating cash flow	1,769	8,627	71,398	56,404	46,148	33,162
Interest						
Cash interest per cash flow statement	1,487	2,806	1,164	5,225	12,346	12,187
less: cash interest received per cash flow statement	(1,055)	(3,398)	(2,086)	(1,361)	(4,245)	(19,535)
Interest	432	(591)	(922)	3,864	8,101	(7,348)
Debt						
Reported financial (senior) debt	30,000	30,000	50,217	208,464	204,432	200,818
less: cash and cash equivalents	(116,647)	(77,536)	(125,029)	(175,424)	(180,403)	(200,992)
add: non-accessible cash ²	34,770	35,358	39,602	39,602	39,602	39,602
add: other debt-like items ³	78,587	24,054	135,316	137,871	137,871	137,871
Debt	26,711	11,876	100,107	210,512	201,502	177,299

¹ 2022 and 2023: includes change in provisions; 2024: includes cash redistributions to entities outside the consolidation perimeter, including equity funds and companies connected to the ultimate beneficial owner, as well as a HUF 7bn non-cash increase in provision.

² Includes HUF 35bn in own equities and restricted cash as reported

³ Includes performance bonds (up until 2022) as well as advances received from customers

6. Environmental, social and governance (ESG) profile⁴

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 construction industry has a massive environmental impact. Industry efforts have focused on reducing energy use and associated emissions. New regulations regarding cleanliness and safety have also drastically affected operations at construction sites. Increased union influence could also lead to increased costs and timelines on projects.

Credit-negative regulatory and reputational risks

The following ESG risks are the most relevant for construction companies: i) rising costs and sustainable building materials; ii) efficient technologies; iii) employee health and safety; and iv) litigation and bribery.

We deem regulatory and reputational risks to be a negative ESG factor. Duna’s market position in recent years was gained by securing state tenders thanks to its established credentials on projects with state-owned companies. This creates a high dependency on state tenders, at around 75% of the company’s backlog as at end-June 2025.

Further, we would have expected the company, given its size, to use a tier-one auditor or a provider with a global presence. Instead, Duna relies on a local auditor with limited market presence and reach, which, even with its 30 years’ experience, raises concerns about the effectiveness and reliability of the audit going forward given Duna’s recent expansion outside of Hungary.

⁴ 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

Duna's unchanged business risk profile is supported by an expanding geographical reach, although concentration risk remains due to inherent structural constraints.

Small construction player in a European context, but leader in its niche market

In 2024, Hungary's construction sector was under pressure due to falling demand. Construction output fell by 0.4% YoY, while investment volume dropped by 15%⁵. This occurred alongside muted economic growth and elevated interest rates. However, public procurement rose by 37% according to the public procurement authority⁶, which partially offset the downturn. Still, the government's investment freeze is being lifted only gradually, and the positive effects of released EU funds and other financing will not be felt until the coming years⁷.

However, Duna maintained its leading position in Hungarian motorway construction, but its future market strength is uncertain due to potential revisions to the Public Procurement Act⁸, which may be required to secure EU funding, and its reliance on its owner's close ties to the Hungarian government. Furthermore, the European Commission has escalated legal action over a 35-year expressway concession linked to Duna's ultimate owner, citing violations of EU procurement rules⁹. Such adverse developments could weaken Duna's competitive position in Hungary.

In 2024, revenues were HUF 300bn (EUR 758m) and EBITDA was HUF 64bn (EUR 161m). The acquisition of Mota-Engil Central Europe in Q3 2024 (now Duna Polska) increased non-domestic revenues to around 20%, raising pro-forma consolidated revenue to HUF 359bn (EUR 907m) and EBITDA to HUF 67bn (EUR 171m)¹⁰.

In May 2025, Duna further expanded its foothold and size by acquiring Euro Strada SRL in Romania (revenues of HUF 23bn in 2024) and VALCANO a.s. in the Czech Republic (revenues of HUF 8bn). Although Duna is the largest motorway contractor in Hungary, it remains a relatively small player in Europe, which limits its ability to absorb shocks and increases cash flow volatility and restricts economies of scale.

Duna Polska is a top 20 motorway contractor in Poland, alongside established players such as Budimex, Strabag, Mirbud and the Trakcja Group. The company is well-positioned to benefit from continued public infrastructure investment, particularly through projects led by the country's General Directorate for National Roads and Motorways. Funding is primarily sourced from the National Road Fund, which is largely supported by EU contributions. Notably, the fund's ceiling was increased to PLN 302bn (HUF 28,093bn; EUR 71bn) in October 2023, reflecting strong momentum in the sector.

Although Duna Polska holds the relevant certifications and has the necessary capabilities, strategic challenges and constraints on profitability may limit its ability to compete for certain public contracts.

Duna is continuing to expand internationally through its largest foreign investment to date, the GED Africa project. This 25-year public-private partnership involves the construction and operation of a 184km highway and a 345m cable-stayed bridge connecting the southern part of the Democratic Republic of Congo and the Republic of Zambia.

This toll road project shows Duna's ability to access new markets, but it is still in the early stage. Construction commenced in 2024 following delays. The construction of the toll road is expected to be finished in 2027. GED Africa, which is majority-owned by Duna and its ultimate beneficial owner, is the 100% parent company of the concessionaires, while Egis (France) will be the operator. The project is primarily a financial investment, with local contractors responsible for

⁵ Hungary (fiec-statistical-report.eu)

⁶ Public Procurement Contract Value Rises 29% in 2024 - Budapest Business Journal

⁷ Civil engineering: The Hungarian civil engineering segment recorded a decline of 3.2% in 2024, with the weak renovation sector in particular, which shrank by 9.2%, weighing heavily on the overall result. Positive impulses could come from loans of EUR 1bn each from the European Investment Bank (EIB) and from China, which will partially compensate for the lack of EU funds for the time being. Large road construction projects are due to start thanks to an exemption from the investment freeze. The construction of a large nuclear power plant and an extensive maintenance programme for the rail network are also likely to get underway. According to Euroconstruct, this will lead to noticeable growth of 4.1% in 2025 and 6.3% in 2026.

⁸ Since March 2024, the European Commission and Hungarian government dispute over the November 2023 law on public construction projects, which Brussels argues may violate EU transparency and competition standards. The future of EU funding for Hungary remains uncertain, with billions in infrastructure investment at risk (Source: Portfolio.hu).

⁹ The European Commission has stepped up legal action against Hungary regarding a 35-year expressway concession granted to a private equity firm with links to Lőrinc Mészáros and László Szijj (Duna's ultimate beneficial owner), citing breaches of EU regulations on public procurement and concessions. The Commission claims that the contract improperly transferred operational risk and exceeded the permitted duration under the Concessions Directive, which could render it invalid.

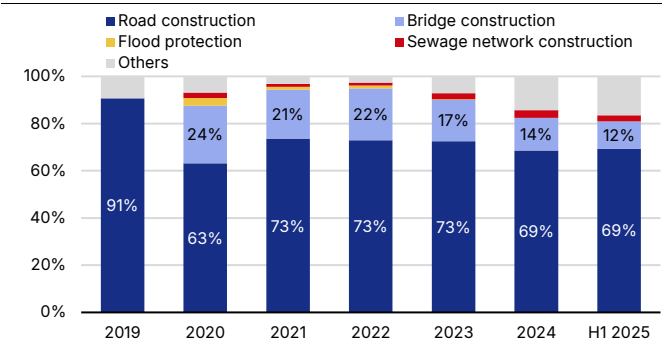
¹⁰ Duna Polska revenues (HUF 59bn), EBITDA (HUF 4bn)

execution. The project’s location and scale currently have no effect Duna’s market share assessment, but does increase sovereign and cluster risks, offsetting any benefits from Duna’s recent expansion into Central and Eastern Europe.

Geographical diversification improved in 2024 and 2025 following the acquisitions of Duna Polska, Euro Strada and VALCANO. These acquisitions represent a strategic expansion beyond Hungary and is expected to bolster non-domestic revenue generation alongside Duna’s venture in Africa. These developments increase the group’s exposure to markets with different demand patterns and cyclical profiles. This is a positive development for the group’s earnings stability, given the declining infrastructure investment opportunities in Hungary, where major highway projects have largely been completed over the past two decades.

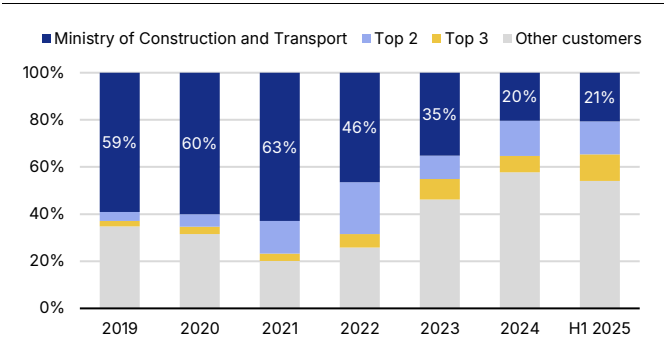
Limited, though improving, diversification by geography and segment

Figure 1: Revenue breakdown by segment



Sources: Duna, Scope

Figure 2: Revenue breakdown by client (top 3¹¹)



Sources: Duna, Scope

Despite these steps, the group’s operations remain concentrated in Hungary, with 79% of pro-forma consolidated revenues for 2024 and 81% of the backlog as at end-June 2025, exposing it to the country’s macroeconomic and political risks.

The company’s focus on construction, a cyclical industry prone to market downturns with a significant impact on revenue and earnings, as well as its limited diversification across business segments, exacerbates this issue. While Duna covers various construction segments, it is highly exposed to small civil engineering projects, such as motorway and bridge construction. Around 82% of its pro-forma consolidated revenues for 2024 came from these projects (around 81% in H1 2025).

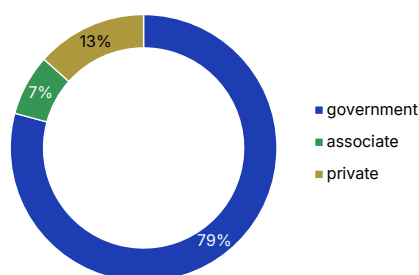
The group’s financial performance depends heavily on public sector contracts, particularly state tenders, exposing it to political and fiscal risks. Since 2017, government-related projects, including those commissioned by municipalities, have consistently accounted for over 50% of Duna’s revenue, and around 80% of its current order book (including Duna Polska, Euro Strada and VALCANO) is tied to such contracts. This concentration increases earnings volatility, linking the company’s stability to public infrastructure investment and access to tenders in Hungary and Poland. This makes Duna vulnerable to shifts in government strategy, fiscal policy and public investment priorities.

Concentrated customer structure, strongly exposed to state tenders

The group’s revenue generation remains closely linked to the demand for road infrastructure development in Hungary. Historically, this demand has remained stable regardless of broader macroeconomic conditions or fluctuations in EU funding. Although major projects such as the Mohács Danube Bridge and the M1 extension have commenced, they are scheduled to extend beyond 2026, coinciding with the next general election. These projects may be delayed due to reduced EU funding or a potential shift in government priorities.

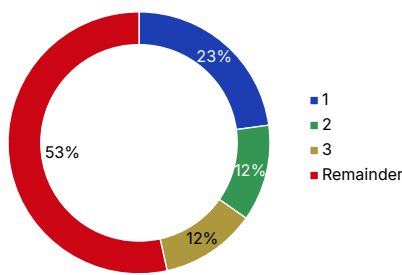
¹¹ Pro-forma including Duna Polska for 2024 and H1 2025

Figure 3: Backlog by clients, 30 Jun 2025

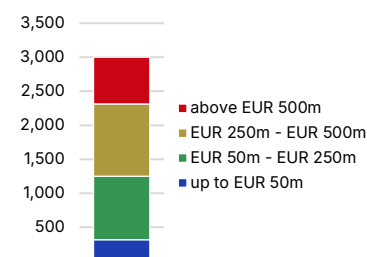


Sources: Duna, Scope

Figure 4: Backlog by projects, 30 Jun 2025



Sources: Duna, Scope

Figure 5: Backlog by project size¹², 30 Jun 2025

Sources: Duna, Scope

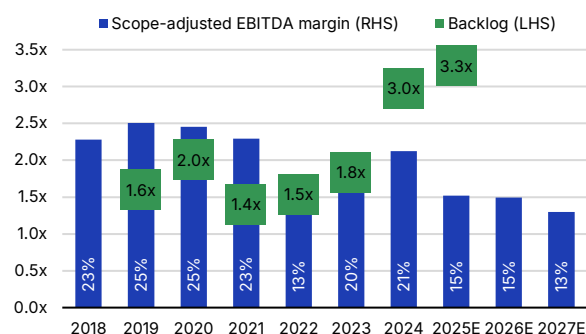
Diversification across customer types and project scopes is not expected to improve materially in the near term given the complementary nature of Duna Polska and recent acquisitions in Romania and the Czech Republic. Consequently, the group remains vulnerable to cash flow volatility resulting from project delays, cancellations, intensified competition or weakened government relationships.

Despite a 37% increase in public procurement volumes in 2024, the delayed release of EU funds and the gradual lifting of Hungary's investment freeze have yet to result in a stronger order intake. After years of stimulus, public investment has tightened, and Duna's new orders fell by 60% YoY to HUF 235bn in the 12 months to June 2025, with only one major contract (M1 motorway expansion, construction in 2025–2028) signed. Further, since its acquisition, Duna Polska has secured a mere HUF 12bn of new orders due to limited access to public tenders resulting from profitability constraints and strategic challenges in Poland.

This weaker intake has resulted in a book-to-bill ratio of below 1.0x (1.9x in June 2024), indicating reduced visibility of demand and lower predictability of medium-term cash flows. Nevertheless, the group's ability to secure new projects in Hungary as well as the existing order books of the acquired entities in Poland, the Czech Republic and Romania support its short-to-medium term prospects. As of June 2025, the consolidated order backlog was HUF 1,200bn (up from HUF 800bn), equivalent to 3.3x, the average revenue over the past three years. This substantial backlog offers robust top-line visibility and bolsters the stability of future cash flow generation, acting as a positive rating driver.

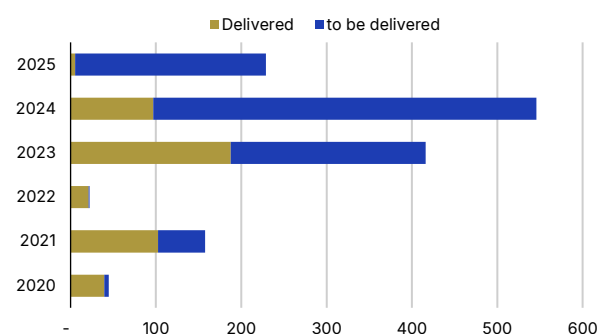
Robust order backlog although shrinking order intake in Hungary and Poland

Figure 6: EBITDA margin & backlog



Sources: Duna, Scope estimates

Figure 7: Backlog by date of contract (Duna Hungary, HUF bn)



Sources: Duna, Scope

Profitability has remained solid, with the EBITDA margin¹³ at 21% in 2024 (up 1pp YoY). This is thanks to high vertical integration, with a significant proportion of work undertaken in-house, and the increasing sourcing of building materials internally or in bulk, reducing input cost volatility.

¹² Outstanding volume¹³ Standalone

However, Duna Polska has lower profitability and we expect its consolidation to dilute group margins. Duna's strategy to maintain margin discipline in Poland has already impacted its competitiveness in public tenders, resulting in reduced order intake. We expect the company to adjust its bidding to protect market share amid rising tender volumes, which will likely lead to gradual margin compression in its construction segment, to stabilise at around 14%.

The margin could also come under pressure from: i) regulatory risk: Potential amendments to Hungary's public procurement law could increase competition in public tenders; ii) legal risk: ongoing EU proceedings concerning alleged breaches of procurement and concession rules linked to Duna's ultimate beneficial owner could result in contract cancellations and; iii) cost risk: resumed volatility in raw material prices, most of which are procured at spot rates (except steel), could further erode margins given the company's limited hedging practices.

Despite these pressures, Duna's vertically integrated model and proactive cost management remain key stabilisers of its operating profitability. This supports its internal financing capacity and partially offsets external risks.

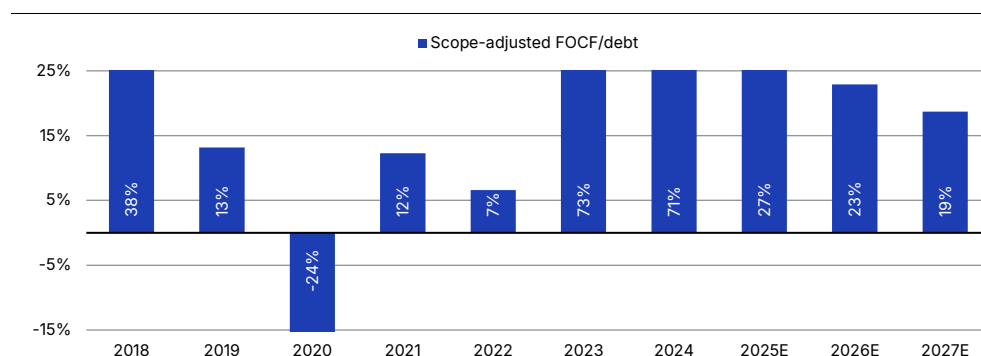
Polish operations to reduce margins, while EU investigations and actions, as well as limited hedging, increase volatility.

8. Financial risk profile: BB+

Margin dilution due to recent and future acquisitions, as well as the chunkier backlog, with top-five projects representing 55% to 75% of Duna's secured revenues in 2025 and 2026, increase the risk of a more volatile top line in case of project execution delays, thus putting pressure on FOCF in the coming years. This will only be partially mitigated by Duna's efforts to consolidate motorway contractors in Central Eastern Europe, which should lead to a more diversified order book, but also to higher execution and integration risk, which could increase pressure on FOCF. However, we expect FOCF to remain positive, albeit more volatile, in the coming years.

Reduced profitability and chunky order backlog lead to lower and volatile free operating cash flow

Figure 8: Cash flow cover



Sources: Duna, Scope estimates

We note that growth and consolidation efforts, with around HUF 200bn earmarked for investment (including HUF 8bn for Euro Strada and VALCANO, acquired in May 2025), will significantly increase gross financial debt to HUF 200bn by the end of 2025 (up from HUF 50bn). This increase will be partially offset by an expected rise in accessible cash to HUF 175bn (up from HUF 125bn as at end-2024).

Currently, most of the investment is earmarked for the African project. The company intends to issue a USD 400m (around HUF 156bn) senior secured debt instrument, which is backed by an 80% guarantee on the instrument's principal.

Proceeds from this loan, together with excess cash on Duna's balance sheet, will be transferred to GED Africa via intercompany loans that will finance the construction of the toll road and bridge. Protective measures will be put in place to ensure cash upstream from GED Africa to Duna and to align cash payments under the intercompany loans with the USD 400m bond. These are amongst others:

- i) seniority of interest payments on the intercompany loans against dividends;
- ii) principal repayment on the USD 400m bond after the planned start of operations of the toll road and bridge in May 2027; and
- iii) a cash sweep of GED Africa's operating profit, solely for early bond repayment.

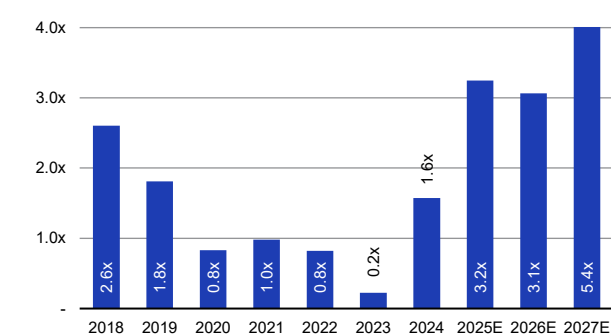
Investment strategy focused on African toll road venture with notable execution and cash flow risks despite protective measures

Despite these safeguards, the structure has significant execution risk. Interest on intercompany loans accrues until operations begin (targeted for May 2027) and any delay could result in substantial cash strain for Duna.

Furthermore, we highlight the high sovereign risk associated with the public partners in the project: the Democratic Republic of Congo and Zambia. This introduces transfer and convertibility risks to the structure, which could lead to disruptions of cash upstream to Duna.

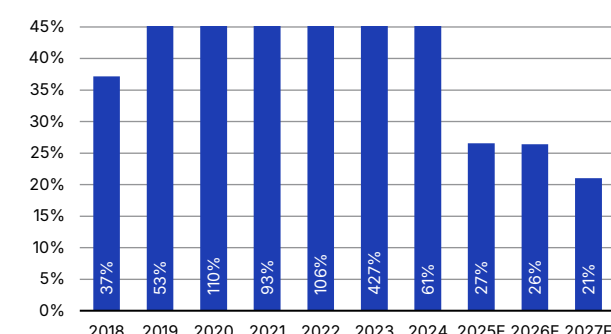
However, even without any cash inflows during the forecast period, investment commitments are backed by the USD 400m bond to be issued, as well as by sufficient internal cash generation supported by the signed order book, which leads to an unchanged view of cash flow coverage. The realisation of legal and/or regulatory risks (see operating profitability section), which we currently consider unlikely, could put significant pressure on Duna's cash generation.

Figure 9: Debt/EBITDA



Sources: Duna, Scope estimates

Figure 10: Funds from operations/debt



Sources: Duna, Scope estimates

From 2023, our debt calculation excludes performance bonds, reflecting our view that these bonds are performance securities issued by insurance companies that mimic performance guarantees issued by banks. These are off-balance sheet items that we do not consider financial liabilities as they are non-interest bearing and their execution risk is immaterial, as evidenced by only 1.5% of warranties being executed between 2014 and 2023.

Other adjustments to debt include a 100% discount on equities held by the company incl. treasury shares to reflect the limited liquidity and potential price volatility of these mostly investment fund shares. We further adjust for advances received as these are linked to project work not yet performed, creating an obligation to deliver services or repay the amount if the project is delayed, cancelled or not completed as agreed.

Debt, including these adjustments, increased substantially, reaching HUF 100bn at end-2024 (HUF 12bn at end-2023). This was driven by acquisition financing for Duna Polska (HUF 19bn) and a significant rise in received advances (HUF 111bn) that were not fully offset by an increased cash balance. This resulted in debt/EBITDA rising to 1.6x at the end of 2024 (up 1.4x YoY). We expect a further significant increase from the USD 400m debt issuance to finance the GED Africa investment, causing debt to rise to around HUF 210bn by the end of 2025 and debt/EBITDA to rise to 3.0x-3.5x. Leverage could come under pressure in the long term in the event of a major transformational acquisition, a contraction or delay in executing the order book that is well beyond our expectations, or a substantial decline in order intake.

Funds from operations/debt is expected to decline to 20%-25% in the coming years given the projected increase in gross indebtedness, which will come at a higher cost than current financial liabilities.

Debt protection, as measured by EBITDA interest cover, remained strong and showed net interest income in 2024 thanks to substantial interest income on term deposits and financial investments, which generated HUF 2.1bn (2023: HUF 3.4bn), exceeding interest paid of HUF 1.2bn (2023: HUF 2.8bn).

Looking ahead, we anticipate a decline in the EBITDA interest cover to 7x-10x, driven by higher financial expenses during Duna's debt-financed investment phase and the gradual decline in deposit rates in Hungary over the next few years. This decline will be partially offset by increased interest income from excess cash related to the GED Africa project.

Leverage expected to rise

Strong debt protection despite higher financing cost

However, this level of debt protection provides good headroom for the increased volatility of expected future cash generation, thereby supporting the financial risk profile at its current level.

Liquidity is adequate and benefits from a backloaded debt maturity profile comprising a HUF 30bn bond with a bullet maturity in 2029 and the upcoming USD 400m bond issuance (final maturity in 2035). The group's accessible cash balances stood at HUF 35bn at end-2024. Marketable securities (treasury bills) of HUF 50bn as at end-2024 as well as anticipated positive FOCF further enhance liquidity.

Adequate liquidity

Duna'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 30bn) if the debt rating of the bond stays below B+ for more than two years (grace period) or drops below B- (repayment within 90 days). Such a development could adversely affect the company's liquidity profile. The current rating is one notch higher than the minimum required, and two notches above the level at which the grace period would be triggered.

In addition to the rating-related covenant, other covenants include a maximum dividend payment of 30% of EBITDA if the debt rating deteriorates below B+.

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

	2024	2025E	2026E
Cash and equivalents (t-1)	77,536	125,029	175,424
Non-accessible cash (t-1) ¹⁴	(35,358)	(39,602)	(39,602)
FOCF (t)	71,398	56,404	46,148
Short-term debt (t-1)	-	3,791	4,032
Liquidity	No short-term debt	> 200%	> 200%

Sources: Duna, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

Duna's financial policy is credit-neutral. However, we recognise the potential of a higher risk appetite given the increased expansionary spending but we understand that the company is not planning any further major or transformational acquisitions, nor any spending on ventures other than the African project. Further, dividend payments both past and future have been variable (HUF 5.8bn in 2021, HUF 5bn in 2022, HUF 3bn in 2023 and HUF 5bn in 2024 and 2025). The company have assured us that the dividend payments are not fixed and that the maximum amount is limited to the previous year's net profit.

Financial policy: credit-neutral

The rated entity is the ultimate parent. The company is 100% owned by the Hungarian entrepreneur Laszlo Szijj. He is among the 10 richest people in Hungary, according to Forbes. We have no information about potential financial support if required; nevertheless, it cannot be ruled out.

Parent support: credit-neutral

We deem regulatory and reputational risks to be a negative ESG factor. We believe that Duna Aszfalt's market position in recent years was gained by winning state tenders thanks to the company's well-established credentials on projects with state owned companies. State tenders account for around 75% of the company's backlog as at end-June 2025, which creates a high dependency.

Governance and structure: credit-negative

Further, we would have expected the company, given its size, to use one of the tier one auditors or a firm that is part of an international network. However, Duna Aszfalt still relies on a small, local auditor with around 30 years' experience, but limited market presence and reach, which raises concerns about the effectiveness and reliability of the audit going forward, given Duna Aszfalt's recent growth outside of Hungary.

¹⁴ Restricted cash and shares held on own books

10. Debt rating

We have downgraded the rating for the senior unsecured debt category to BB-, now in line with the issuer rating. This reflects an average recovery driven by diminishing recovery expectations linked to the expected issuance of significant secured debt that ranks ahead of the unsecured debt. The downgrade is also due to the risk that senior secured debt increases if the issuer's credit quality deteriorates (volatility of the capital structure and the proportion of senior unsecured debt).

The recovery calculation considers the HUF 30bn senior unsecured corporate bond issued under the Bond Funding for Growth Scheme of the Hungarian National Bank. We assume i) the execution of the business plan being financed by around HUF 160bn of additional secured debt; ii) 5% of payables ranking senior to the bond and 95% at the same seniority; and iii) advances received ranking at the same seniority as the bond, based on a local legal opinion. The recovery analysis is based on a liquidation value of HUF 254bn for a hypothetical default in 2027, based on an appropriate haircut on the assets and reflects liquidation costs of 10% on the assets.

Senior unsecured debt rating: BB-

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