Naturtex Kft.

Hungary, Consumer Products

Issuer
B+
Outlook
Stable
Senior unsecured debt
B+

Lead Analyst
Vivianne Kápolnai
+49 696677 38988
v.kapolnai@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Feb 2025
Consumer Products Rating Methodology, Oct 2024

Table of content

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024P**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	>20x	17.4x	8.4x	11.1x
Scope-adjusted debt/EBITDA	10.7x	2.7x	4.0x	3.6x
Scope-adjusted funds from operations/debt	9%	34%	21%	24%
Scope-adjusted free operating cash flow/debt	2%	-1%	22%	1%
Liquidity	>200%	>200%	166%	>200%

Rating sensitivities

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

- Significant improvement in Naturtex's business risk profile factors (market share, diversification)
- Credit metrics developing in line with expectations (Debt/EBITDA below 4x on a sustained basis)

Rating upside is deemed remote due to the company's limited outreach and its general vulnerability to non-controllable external shocks.

The downside scenario for the rating and Outlook:

- Debt/EBITDA increasing to above 5x on a sustained basis
- Refinancing of the bond not addressed proactively

**All credit metrics refer to Scope-adjusted figures.*

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Relatively strong interest cover backed by favourable fixed interest rate debt instruments • Healthy domestic market position with acceptable profitability margins in the long term • Solid geographical diversification and distribution platforms • Domestically known brand name	• Small private company operating in an industry with cyclical characteristics and seasonal volatility • Medium volatility profitability due to material price changes • Volatile free operating cash flow due to working capital swings

2. Rating Outlook

The Stable Outlook reflects our view that Naturtex's financial risk profile will remain moderate as exemplified by its leverage (Debt/EBITDA) remaining below 4x while the company maintains a moderate profitability of around 12% EBITDA margin. Furthermore, the Outlook assumes that the balloon repayment for the company's bond in September 2027 will be addressed proactively, e.g. through the drawdown of credit lines or new bank loans.

3. Corporate profile

Naturtex Gyapjú- és Tollfeldolgozó Kft.'s (Naturtex) core business is the production of duvets and pillows filled with goose feathers and down as well as bedding using other natural and synthetic fibres. The company operates four plants in Hungary and exports to more than 45 countries. It employs around 130 people and had a turnover of around HUF 7bn (EUR 19m) in 2023. Naturtex is headquartered in Szeged, Hungary, and is 100% family owned.

Bedding product manufacturer and feather retailer

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
15 Apr 2025	Outlook change	B+/Stable
24 Apr 2024	Outlook change	B+/Negative
25 Apr 2023	Affirmation	B+/Stable

5. Financial overview (financial data in HUF m)

			Scope estimates		
Scope credit ratios	**2023**	**2024P**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	64.2x	17.4x	8.4x	11.1x	8.0x
Debt/EBITDA	10.7x	2.7x	4.0x	3.6x	3.5x
Funds from operations/debt	9%	34%	21%	24%	23%
Free operating cash flow/debt	2%	-1%	22%	1%	1%
Liquidity	>200%	>200%	166%	>200%	62%
EBITDA					
Reported EBITDA	804	1,687	1,013	1,053	1,095
add: operating lease payments	196	209	219	230	242
add: recurring dividends from associates	-	-	-	-	-
less: capitalised expenses	(133)	-	-	-	-
Other items (incl. one-offs)	(234)	(200)	(200)	(200)	(200)
EBITDA	**633**	**1,696**	**1,033**	**1,084**	**1,137**
Funds from operations (FFO)					
EBITDA	633	1,696	1,033	1,084	1,137
less: interest	(10)	(98)	(123)	(98)	(142)
less: cash tax paid	(65)	(140)	(49)	(55)	(55)
Other non-operating charges before FFO	40	94	-	-	-
Funds from operations	**598**	**1,553**	**860**	**931**	**939**
Free operating cash flow (FOCF)					
Funds from operations	598	1,553	860	931	939
Change in working capital	505	(1,173)	955	(305)	(320)
Non-operating cash flow	(574)	(195)	-	-	-
less: capital expenditures (net)	(257)	(95)	(750)	(400)	(400)
less: lease amortisation	(147)	(157)	(165)	(173)	(181)
Other items	-	-	-	-	-
Free operating cash flow	**125**	**(68)**	**900**	**53**	**38**
Interest					
Net cash interest per cash flow statement	(39)	45	69	40	82
add: interest component, operating leases	49	52	55	58	60
add: 50% of interest paid on hybrid debt	-	-	-	-	-
add: other items	-	-	-	-	-
Interest	**10**	**98**	**123**	**98**	**142**
Debt					
Reported financial (senior) debt	4,160	3,462	3,018	2,800	2,800
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-	-
add: shareholder loans (net of equity credit)	-	-	-	-	-
less: cash and cash equivalents	-	-	-	-	-
add: non-accessible cash	-	-	-	-	-
add: pension adjustment	-	-	-	-	-
add: operating lease obligations	978	1,045	1,097	1,152	1,210
add: asset retirement obligations	-	-	-	-	-
add: other debt-like items	1,609	-	-	-	-
Debt	**6,747**	**4,508**	**4,116**	**3,952**	**4,010**

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

Credit neutral ESG impact

Environmental, social and governance (ESG) considerations have no significant effect on Naturtex's credit quality.

The company emphasises sustainability in its ESG strategy as it strives to primarily utilise renewable energy for its energy consumption needs (it has already invested in a solar energy park, accounting for 10-15% of Naturtex's energy consumption). The company also has a dedicated R&D facility that has developed products and packaging using recycled and recyclable materials.

The company has published its first ESG report for 2022 as many of its customers require their suppliers, including Naturtex, to provide such non-financial information.

[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: B+

Naturtex operates in the discretionary consumer products market, which is characterised by medium cyclicality, medium entry barriers and medium substitution risk. We assess its industry risk profile at BB.

Operating in the discretionary consumer products industry…

Naturtex's business risk profile continues to be supported by the company's moderate profitability margins with medium volatility, an established distribution platform with broad geographical sales and a domestically well-known brand for a small company. Despite a healthy domestic market share, Naturtex is not protected from price competition in a fragmented market as the majority of its revenues come from export markets. As a player in the discretionary consumer products industry, the company is exposed to medium cyclicality as evidenced by volatile net sales over the past decade.

…the company's sales are volatile.

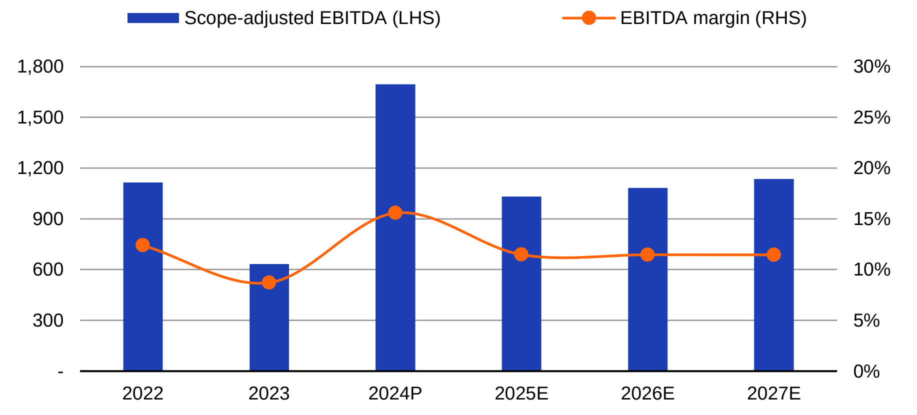
Demand for Naturtex's products was driven by the reopening of the Chinese market and a significant increase in fashion and hospitality customer orders, leading to revenue growth of 50% in 2024. The company sees further upside in all listed segments, which are expected to drive its forecasted moderate growth rate after 2025. One-off drop in revenue is expected in 2025 as part of the orders expected for 2025 were already serviced in Q4 2024 partly leading to the year's high revenue growth.

While Naturtex has many different products, they are all part of the bedding category, making the company exposed to a single industry. Naturtex has developed a good distribution network over time, with more than 250 resellers, 14 franchise partners and several partnerships with national hypermarket chains.

In 2024, EBITDA margin increased significantly to 15.6% from 8.7% in 2023 due to the drop in raw material prices and production optimisation. Profitability is forecasted to return to the historical average of around 12% as raw material prices are expected to normalise.

Moderate profitability with medium volatility

Figure 1: EBITDA (in HUFm) and EBITDA margin development



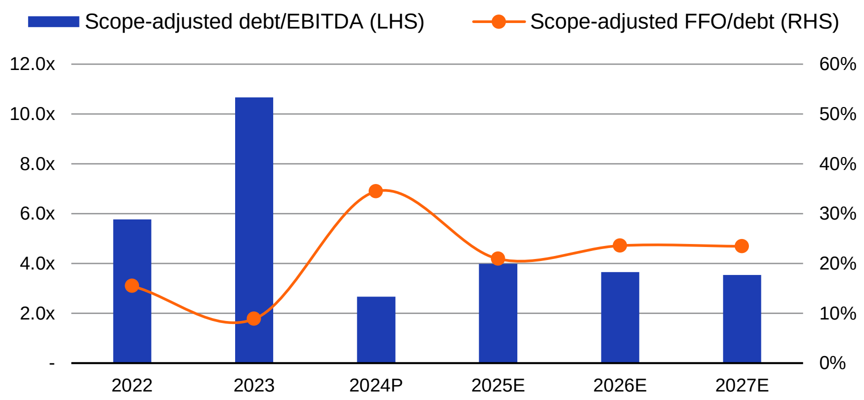
Source: Naturtex, Scope estimates

Following years of production upgrades and investments, technological standards are good and include a high degree of automation. The fact that Hungarian goose down and feathers have a special quality and image on the global market helps Naturtex to price its products in the premium category. Forex volatility (US dollar and Euro in particular) is mainly hedged through natural hedging, as export sales cover most material costs. In addition to yearly volatility in demand (typical for durable consumer products), the company is also exposed to substantial seasonal cyclicality, with the majority of sales occurring in the last quarter of each year.

8. Financial risk profile: BB-

The improvement in the revenue and EBITDA margin and the fulfilment of NTT Manufacturing's contractual obligations (resulting in the cancellation of Naturtex's HUF 1.6bn guarantee to its subsidiary), which reduced the issuer's debt, had a positive impact on the issuer's credit metrics. The company's exceptional performance in 2024 improved credit metrics significantly compared to 2023 as exemplified by debt/EBITDA decreasing to 2.7x from well-above 6.0x.

Figure 2: Leverage metrics development



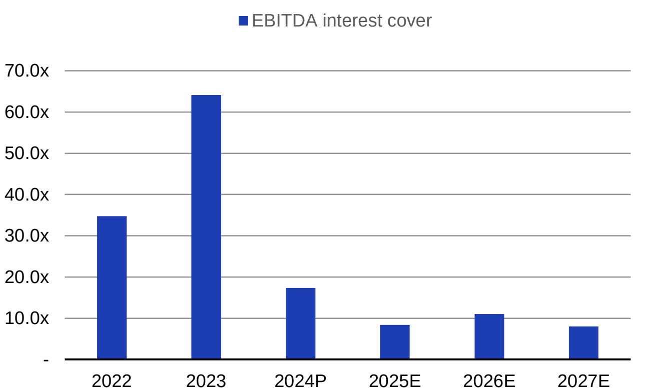
Source: Naturtex, Scope estimates

Strong interest coverage above 8x

Naturtex's financial risk profile continues to benefit from the strong interest cover which is supported by the favourable fixed interest rates of the largest debt balances (existing HUF 2.8bn bond and Baross Gabor loan). Interest cover is expected to remain above 8x in the next two years. The interest cover may be put under pressure in the medium term as the persisting high interest rate environment will impact the cost of debt of the loan to be issued for refinancing the balloon payment of the bond amortising in 2027.

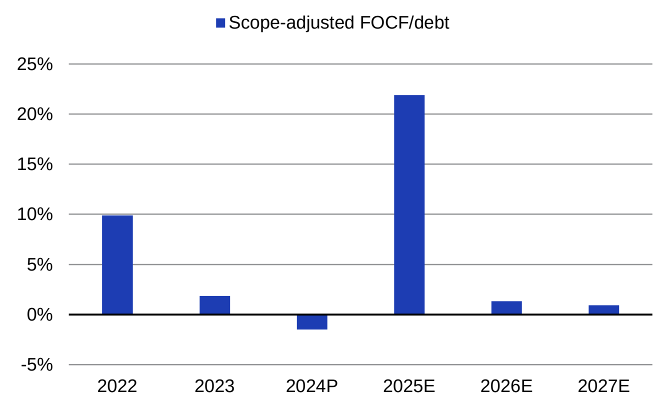
The financial risk profile remains constrained by the high leverage and low and volatile cash flow cover. In September 2025, the first tranche (HUF 700m) of the bond amortisation is due, however Naturtex plans to finance the lost source of external funding from its committed open credit line of EUR 2.2m which can be utilised freely. As the company's debt is expected to remain relatively stable and EBITDA margin is expected to return to its historical average in 2025, debt/EBITDA will settle between 3.5-4.0x and funds from operation/debt will likely return to between 20-25%. The cash flow cover (free operating cash flow/debt) continues to be volatile due to the working capital swings, forecasted to trend around 1% after 2025.

Figure 3: Interest cover development



Source: Naturtex, Scope estimates

Figure 4: Cash flow cover development



Source: Naturtex, Scope estimates

Adequate liquidity

Naturtex's liquidity profile is solid as signalled by projected liquidity ratios of consistently above 110% until 2027 (including the first year of the HUF 700m bond amortisation scheduled for September 2025). While internal and external liquidity ratios drop below 100% in 2027, when the company has to cover the balloon repayment of HUF 2.1bn of its outstanding bond, we believe that such payments will be covered by the refinancing of the bond. The company's solid relationships with banks and access to longer-term committed credit lines mitigate liquidity risks.

We highlight that Naturtex'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 2.8bn) if the debt rating of the bond stays below B+ for more than two years (grace period) or drops below B- (accelerated repayment within 15 business days). Such a development could adversely affect the group's liquidity profile. The rating headroom to entering the grace period is zero notches. Given the limited rating headroom, the company must at least maintain its current credit profile to avoid triggering the rating-related covenant.

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

	2024P	2025E	2026E
Unrestricted cash (t-1)	1,725	798	1,128
Open committed credit lines (t-1)	-	195	195
FOCF (t)	(68)	900	53
Short-term debt (t-1)	727	1,144	218
Liquidity	**>200%**	**166%**	**>200%**

Source: Naturtex, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

We have not made any explicit rating adjustments for supplementary rating drivers. Although the company has not officially communicated its financial policy, we understand that the owners and management aim to maintain a conservative dividend policy. Naturtex's management prioritises the sound financial condition of the company, as it demonstrated with a targeted dividend payout ratio of 30%, which has been set as a financial covenant in the bond.

10. Debt rating

Senior unsecured debt rating: B+

In September 2020, Naturtex issued a HUF 2.8bn senior unsecured bond (ISIN: HU0000359922) through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds were used for refinancing financial debt and working capital financing. The bond has a tenor of 7 years and a fixed coupon of 3%. Bond repayment is in two tranches; the first in 2025 with 25% of the face and a 75% balloon payment at maturity in 2027. In addition to the rating deterioration covenants, the bond covenants include non-payment, insolvency proceedings, cross-default, pari passu, negative pledge, change of control and dividend payment restrictions.

We have affirmed the senior unsecured debt rating of Naturtex at B+, at the same level as the issuer rating. The recovery analysis is based on a hypothetical default scenario at year-end 2026. We have used the liquidation scenario in the analysis due to the asset-rich nature of the company. The recovery is 'average' for senior unsecured debt holders in this scenario.

Related research

ESG considerations for credit ratings of consumer goods companies, November 2021

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