

Nova LLC

Georgia, Retail and Construction Materials

Issuer

B+

Outlook

Stable

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	2024	2025E	2026E
Scope-adjusted EBITDA interest cover	4.1x	5.0x	3.1x	3.6x
Scope-adjusted debt/EBITDA	3.7x	3.2x	3.3x	2.4x
Scope-adjusted funds from operations/debt	20%	24%	20%	29%
Scope-adjusted free operating cash flow/debt	6%	-6%	18%	17%
Liquidity	55%	42%	51%	>200%

Rating sensitivities

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

- Substantial increase in size to support diversification and improve the overall business risk profile (currently viewed as remote)
- Debt/EBITDA sustainably below 2.5x

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

- Failure to address covenant breaches proactively
- Debt/EBITDA above 3.5x
- FOCF/debt of below 5%

*All credit metrics refer to Scope-adjusted figures.

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Related methodologies

[General Corporate Rating](#)

[Methodology, Feb 2025](#)

[Construction and Construction Materials Rating Methodology, Jan 2025](#)

[Retail and Wholesale Rating Methodology, Jun 2025](#)

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1. Key rating drivers

Positive rating drivers

- Solid operating profitability
- Business model benefiting from synergies between production of construction materials and retail & wholesale segments
- Moderate leverage enabling further debt funded growth capex

Negative rating drivers

- Modest size restricting ability to benefit from economies of scale
- Weak geographical diversification
- History of covenant breaches
- Historical volatility in raw material input prices translating into cash flow volatility
- Weak cash flow cover

2. Rating Outlook

The Stable Outlook reflects our expectation that Nova's leverage, as measured by its debt/EBITDA ratio, will remain below 3.5x, subject to the volatility created by limited hedging against input price risk. Despite the ongoing capital expenditure programme, stability in leverage is supported by continued topline growth and a relatively stable EBITDA margin of around 12%. The Outlook also reflects the successful issuance of the GEL 50m bond and/or continued support from banks, to roll over short-term debt.

3. Corporate profile

Nova LLC, founded in 2006 as an importer and distributor of construction-related products, has evolved into a diversified manufacturer since 2011, producing galvanized and coloured tin and expanding into roofing materials. The company operates two large production facilities in Georgia: a 14,000 sq m plant in Tbilisi with lines for roofing materials, adhesive cements, and XPS insulation boards, supported by a 10,000 sq m warehouse, and a 26,000 sq m plant in Batumi producing tin profiles, black metal pipes, polyethylene products, and rainwater systems, complemented by a 29,000 sq m warehouse.

Producer, wholesaler and retailer in construction materials and home improvement products

Since 2020, Nova has strengthened its retail presence through retail stores in nine cities, offering around 25,000 items that combine its own products with imports. Its portfolio includes over 500 product types such as roofing materials, drainage systems, gypsum profiles, polyethylene tanks, and thermal insulation boards, while imports mainly come from Turkey and China. Exclusive partnerships with global brands like INGCO, Betek, Fawori, Rigips, Izocam, and Bien enhance Nova's market credibility and product quality. The company is privately owned by five equal shareholders: Zviad Abuladze, Jemal Bolkvadze, Emzar Iremadze, Jemal Antadze, and Ramaz Iremadze.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
26 Nov 2025	New	B+/Stable

5. Financial overview (financial data in GEL '000s)

Scope credit ratios	Scope estimates					
	2022	2023	2024	2025E	2026E	2027E
EBITDA interest cover	2.2x	4.1x	5.0x	3.1x	3.6x	4.5x
Debt/EBITDA	6.7x	3.7x	3.2x	3.3x	2.4x	2.1x
Funds from operations/debt	8%	20%	24%	20%	29%	35%
Free operating cash flow/debt	-20%	6%	-6%	18%	17%	28%
Liquidity	29%	55%	42%	51%	>200%	>200%
EBITDA						
Reported EBITDA	9,451	20,442	28,346	29,580	31,500	33,386
Gains and losses on asset disposals	(66)	(347)	19	-	-	-
EBITDA	9,385	20,095	28,365	29,580	31,500	33,386
Funds from operations (FFO)						
EBITDA	9,385	20,095	28,365	29,580	31,500	33,386
less: interest	(4,358)	(4,850)	(5,651)	(9,560)	(8,677)	(7,422)
less: cash tax paid	(678)	(792)	(1,375)	(265)	(882)	(882)
Other non-operating charges before FFO	756	(69)	900	-	-	-
Funds from operations	5,105	14,384	22,239	19,754	21,941	25,082
Free operating cash flow (FOCF)						
Funds from operations	5,105	14,384	22,239	19,754	21,941	25,082
Change in working capital	(1,614)	(2,607)	(20,535)	791	1,040	197
less: capital expenditures (net)	(15,527)	(6,787)	(6,168)	(2,842)	(9,178)	(4,781)
less: lease amortisation	(450)	(690)	(683)	(660)	(660)	(660)
Free operating cash flow	(12,486)	4,300	(5,147)	17,044	13,143	19,837
Interest						
Net cash interest per cash flow statement	4,358	4,850	5,651	9,560	8,677	7,422
Interest	4,358	4,850	5,651	9,560	8,677	7,422
Debt						
Reported financial (senior) debt	62,481	73,713	90,872	96,588	76,947	71,502
Debt	62,481	73,713	90,872	96,588	76,947	71,502

6. Environmental, social and governance (ESG) profile¹

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

Nova has actively engaged with several international organizations to support its development and enhance operational standards. These include participation in the EBRD’s Blue Ribbon Program, which focuses on strengthening ESG practices, collaboration with USAID to build internal capabilities in inventory management, and financial support from GIZ for training programs related to the safe operation of warehouse forklifts and bridge cranes.

ESG factors: credit neutral

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 (new)

Nova’s business risk profile is constrained by its relatively small scale compared to European peers and its limited geographical footprint, which restricts its ability to benefit from economies of scale and exposes it to greater earnings volatility. Nonetheless, the business risk profile is partially supported by solid, albeit volatile, operating profitability.

Small scale in a fragmented market

The company maintains niche positions in selected sub-segments of the construction materials production industry in Georgia. Within the wholesale and retail segment, Nova holds a small market share in the domestic construction materials and home improvement market. However, this segment benefits from the fragmented nature of the market, where a significant portion remains unorganized, offering opportunities for growth and margin stability.

Nova’s limited diversification further weighs on its business risk profile. The company’s exclusive focus on the Georgian market increases its exposure to fluctuations in the domestic construction cycle.

Focus only on Georgian market but solid product-level and customer diversification

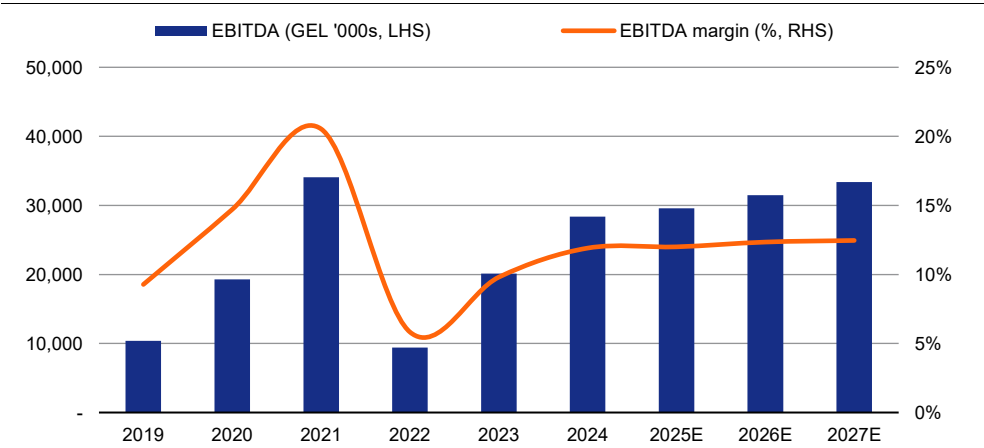
Nova demonstrates solid product-level diversification, which has been further enhanced by recent additions to its portfolio. Nevertheless, the company remains focused on only two sub-segments of the construction industry, construction materials and home improvement products, limiting broader sectoral diversification. This concentration risk is partially mitigated by a well-diversified customer base across both operating segments.

Operating profitability is a relative strength, though it remains vulnerable to input cost volatility, particularly in the construction materials segment. Historical EBITDA margin fluctuations in 2021 and 2022 were driven by sharp movements in raw material prices. Although input costs have since stabilized and are expected to remain steady, Nova’s exposure to long shipping lead times and largely unhedged input costs continue to pose a risk. In contrast, the wholesale and retail segment demonstrates more stable and resilient margins, providing a buffer during periods of stress in the production segment.

Volatile operating profitability

Nova’s EBITDA margin averaged 12% between 2019 and 2024, supported by robust construction and real estate activity in Georgia. We expect margins to remain stable over the medium term, underpinned by ongoing product expansion and continued growth in the primary real estate market.

Figure 1: EBITDA and EBITDA margin



Sources: Nova, Scope estimates

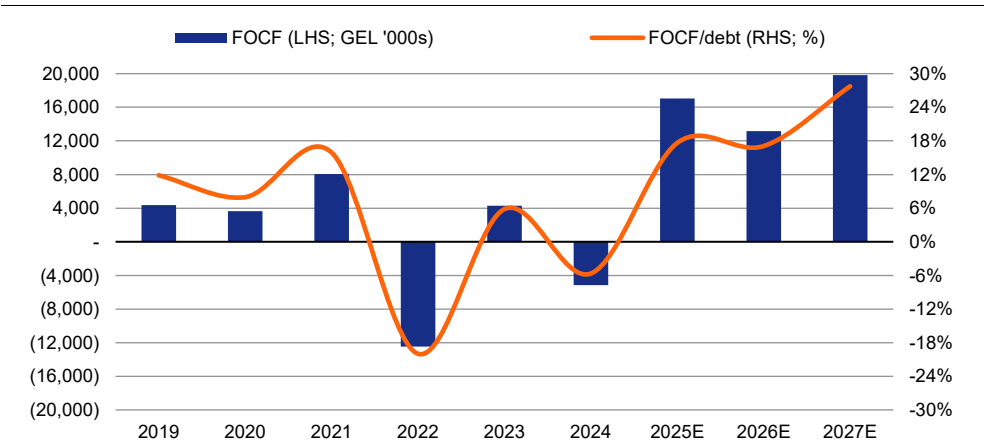
8. Financial risk profile: BB- (new)

Nova’s financial risk profile is supported by moderate leverage and interest coverage, however, historically weak cash flow coverage, driven primarily by elevated capital expenditures aimed at supporting growth, remains a concern.

Cash flow coverage is the weakest component of Nova’s financial risk profile. The company has historically invested a substantial portion of operating cash flows into capex to support growth. FOCF was negative in 2022 due to margin compression from extreme input price volatility, and again in 2024 due to significant working capital outflows. In the remaining four years, FOCF was positive. We expect FOCF to improve going forward, supported by stronger funds from operations and stable working capital. Consequently, the FOCF/debt ratio is projected to rise from an average of 3% over 2019–2024 to above 10% in 2025–2027.

Historically weak cash flow

Figure 2: Cash flow cover (FOCF/debt)

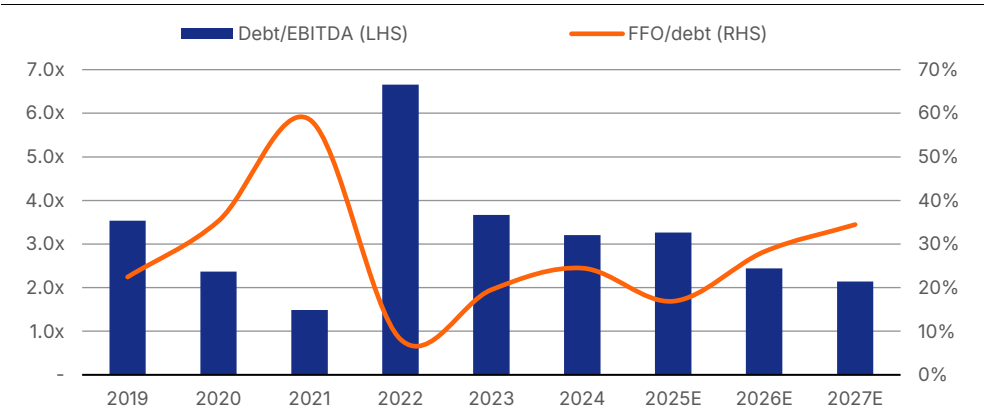


Sources: Nova, Scope estimates

In line with its expansion strategy the company has gradually increased its debt levels in recent years, executing its capex plans with discipline while maintaining control over leverage. Although leverage metrics were volatile in 2021 and 2022, largely due to input price fluctuations, in other years Nova has historically maintained a debt/EBITDA ratio in the range of 2.4x–3.7x and an average FFO/debt ratio of approximately 25%. We anticipate a temporary increase in leverage in 2025, driven by high, partially debt-funded land acquisition, though this will be partially offset by a total GEL 2.5m in equity injections from the owners. Despite continued significant capital expenditure in 2026, we expect a gradual deleveraging trend, driven by sustained top-line growth and stable margins.

Moderate leverage

Figure 3: Leverage

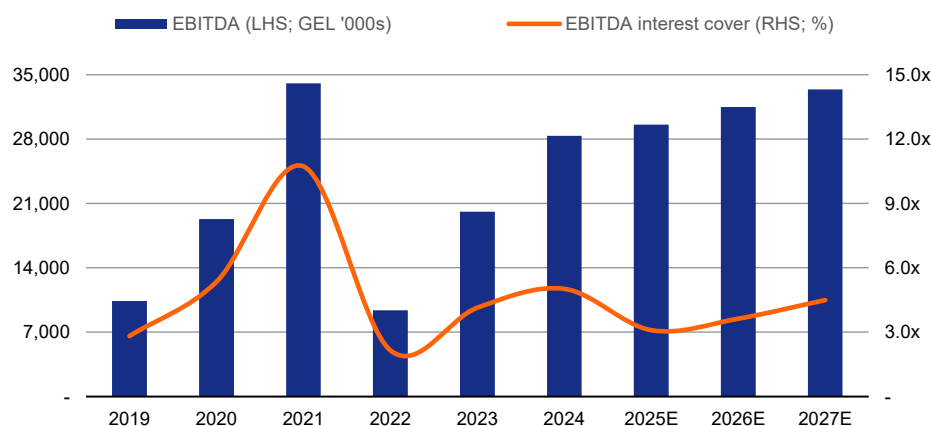


Sources: Nova, Scope estimates

Interest coverage is constrained by the relatively high cost of debt in Georgia. A significant portion of Nova's debt is contracted at variable interest rates, exposing the company to interest rate risk. Additionally, around one-third of the debt is denominated in foreign currency, introducing foreign exchange risk. However, Nova actively manages this exposure through hedging strategies, which we view positively. The planned bond issuance is expected to reduce the average cost of debt, although the associated increase in total debt will likely exert downward pressure on interest coverage, thereby weighing on the financial risk profile.

Solid interest coverage

Figure 4: Interest cover



Sources: Nova, Scope estimates

Historically, Nova's short-term debt coverage was below par, reflecting a high reliance on refinancing short-term obligations at maturity, a practice that is common in Georgia and other emerging markets. The planned bond issuance will have a bullet structure and is intended to refinance a substantial portion of existing short-term debt, thereby significantly alleviating liquidity pressure. As a result, we expect a marked improvement in Nova's liquidity ratio, reaching levels above 100% from 2026 onwards.

Adequate liquidity

Table 1. Liquidity sources and uses (in GEL '000s)

	2024	2025E	2026E
Unrestricted cash (t-1)	17,683	18,603	29,213
FOCF (t)	(5,147)	17,044	13,143
Short-term debt (t-1)	37,422	69,588	19,973
Liquidity	42%	51%	>200%

Source: Nova, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

Although supplementary rating drivers have no impact on this credit rating action, we note the company's history of covenant breaches, as well as its limited hedging of interest rate, foreign exchange rate and input cost risks.

Credit-neutral supplementary rating drivers

We acknowledge that the recent relaxation of covenant thresholds provides some headroom relative to current levels, supported by the generally accommodating stance of the issuer's core banks. Nevertheless, we expect the company to proactively address any covenant breaches through active risk management and to ensure ongoing compliance with agreed terms and conditions.

Some 59% of the company's debt is at a floating rate, and only part of its foreign currency debt benefits from short-term forward hedges of between two and three months with no hedging of

input costs, all of which could lead to substantial volatility in cash generation. Furthermore, the undiversified funding structure after the prospective bond issuance and associated refinancing/cliff risk are noted as concerns.

Appendix 1. Peer comparison

	Nova LLC	Masterplast Nyrt.	Stavmat Epitoanyag Kereskedelmi Zrt.	JSC Nikora Trade	Tegeta Motors LLC
Issuer rating/Outlook	B+/Stable	CCC/Stable	B/Stable	BB-/Stable	BB-/Negative
Last reporting date*	31 December 2024	31 December 2024	31 December 2023	31 December 2024	31 December 2024
Business risk profile	B	B	B+	BB-	BB-
Financial risk profile	BB-	CCC	B+	BB-	BB-
EBITDA interest cover	5.0x	0.8x	10.3x	5.9x	3.3x
Debt/EBITDA	3.2x	41.5x	4.2x	2.5x	3.1x
FFO/debt	24%	-1%	21%	34%	22%
FOCF/debt	-6%	-18%	-27%	-17%	-8%
Standalone credit assessment	B+	CCC	B+	BB-	BB-
Supplementary rating drivers	+/- 0 notches	+/- 0 notches	-1 notch	+/- 0 notches	+/- 0 notches

* Credit metrics presented as of the last reported date
Sources: Public information, Scope

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