

Reneszánsz Kőfaragó Zrt.

Hungary, Metals and Mining

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

Key metrics

Scope credit ratios*	Scope estimates			
	2023	2024	2025E	2026E
Scope-adjusted EBITDA interest cover	3.2x	6.0x	5.5x	4.0x
Scope-adjusted debt/EBITDA	7.7x	3.6x	3.9x	5.2x
Scope-adjusted funds from operations/debt	9%	23%	20%	14%
Scope-adjusted free operating cash flow/debt	-15%	-4%	5%	1%
Liquidity	170%	165%	>200%	>200%

Rating sensitivities

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

- Sustained positive free operating cash flow (FOCF)
- Material improvement in visibility on revenue development by March 2026

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

- No positive FOCF generation in 2025 and beyond
- No material improvement in visibility on revenue development by March 2026

*All credit metrics refer to Scope-adjusted figures.

Issuer

B

Outlook

Negative

Senior unsecured debt

B+

Lead Analyst

Istvan Braun

+49 30 27891-378

i.braun@scoperatings.com

Related methodologies

[General Corporate Rating Methodology](#), Feb 2025

[Metals and Mining Rating Methodology](#), Oct 2024

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Market leader in Hungary for limestone • Capacities fully utilised up to 2026 • Unique stone properties in close proximity to historic national heritage buildings in Budapest • Long-life mine reserve	• Single site operator with limited geographic and customer diversification • Small absolute size in a European and global context • Weak FOCF generation • Limited visibility on revenues beyond 2026

2. Rating Outlook

The Negative Outlook reflects the ongoing negative FOCF and the risk that this will continue beyond 2024. This is due to volatile shifts in working capital levels and indexed operating lease payments, which are independent of topline development. Consequently, this could result in a deterioration of Reneszánss's liquidity profile in the medium term. Additionally, the Negative Outlook signals the limited visibility on revenue generation beyond 2026, with the projects within the issuers current order book concluding in 2026.

3. Corporate profile

Reneszánsz operates Hungary's largest limestone quarry located in Süttő in northern Hungary, next to the Danube River about 65 km from the city of Budapest. The 90-hectare mine has been exploited since ancient Roman times and still holds about 300 years of reserves. Reneszánss has a 70-year lease to operate and extract limestone from the quarry, agreed with the mine's owner, a state-owned entity formerly owned by a shareholder of Reneszánss, Mészköbánya Ltd. The limestone mined by the company has unique physical properties that make it very durable and resistant to frost, salt and abrasion. The stone is processed in 11,000 sqm of industrial halls adjacent to the mine. Many national heritage buildings in Budapest are built with limestone from the Süttő quarry.

Hungarian, family-owned limestone producer

Reneszánsz has been majority owned by the Balogh family since 2014; the owner has worked in the business since 1970. The mine itself was sold in January 2022. The transaction preserved 70-year exclusive concession rights on the quarry, ensuring a continuous supply of raw material.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
25 Sep 2025	Outlook change	B/Negative
30 Sep 2024	Affirmation	B/Stable
17 Nov 2023	Affirmation	B/Stable

5. Financial overview (financial data in HUF m)

Scope credit ratios	Scope estimates				
	2022	2023	2024	2025E	2026E
EBITDA interest cover	4.1x	3.2x	6.0x	5.5x	4.0x
Debt/EBITDA	8.5x	7.7x	3.6x	3.9x	5.2x
Funds from operations/debt	13%	9%	23%	20%	14%
Free operating cash flow/debt	-52%	-15%	-4%	5%	1%
Liquidity	4%	170%	165%	>200%	>200%
EBITDA					
Reported EBITDA	380	491	1,594	1,441	885
add: operating lease payments	330	349	597	612	636
EBITDA	710	840	2,191	2,053	1,522
Funds from operations (FFO)					
EBITDA	710	840	2,191	2,053	1,522
less: interest	(172)	(263)	(368)	(375)	(380)
less: cash tax paid	(37)	(10)	(23)	(101)	(42)
Other non-operating charges before FFO	266	-	-	-	-
Funds from operations	767	567	1,800	1,576	1,099
Free operating cash flow (FOCF)					
Funds from operations	767	567	1,800	1,576	1,099
Change in working capital	(703)	(1,048)	(1,393)	(354)	(270)
Non-operating cash flow	(248)	713	(4)	27	27
less: capital expenditures (net)	(2,829)	(1,036)	(387)	(504)	(439)
less: lease amortisation	(145)	(148)	(317)	(321)	(334)
Other items	-	-	-	-	-
Free operating cash flow	(3,158)	(952)	(301)	424	84
Interest					
Net cash interest per cash flow statement	(13)	62	89	84	78
add: interest component, operating leases	185	201	279	291	303
Interest	172	263	368	375	380
Debt					
Reported financial (senior) debt	2,503	2,400	2,280	2,160	1,920
less: cash and cash equivalents	(449)	(174)	-	-	-
add: operating lease obligations	3,998	4,246	5,585	5,814	6,058
Debt	6,053	6,472	7,865	7,974	7,978

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

Natural stone is an environmentally friendly building material according to LEED and BREEAM standards. Natural stone rates well in terms of recyclability, heat storage/reflection and service life. It also emits no volatile organic compounds. The limestone at Süttő has uniquely physical properties: it is exceptionally resistant to frost, salt and abrasion. The stone is mined at surface level, reducing the expense and energy consumed in extraction, with the processing plant on site and the key market in Budapest only 65 km away.

Credit-neutral ESG factors

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+

Reneszánsz operates in metals and mining. We rate this industry at BB, based on its high cyclicalilty, medium substitution risk, and medium barriers to entry.

Industry risk profile: BB

The company is the largest limestone producer in Hungary (see Figure 1) with an estimated market share of 15%-18% for dimension stone. The market is relatively fragmented with 75%-80% of supplies originating outside of Hungary, mostly from Turkey and Italy. This implies little pricing power for the company, but also the potential for increased market share going forward. Renesz nsz has competitive advantages over imported products in terms of transportation costs, the type and quality of the stone, and a skilled workforce (stonemasons). Additional investment in plant and equipment, finished in 2023, is allowing the company to raise production volumes and efficiency, and also broaden its product slate and make more high value-added products.

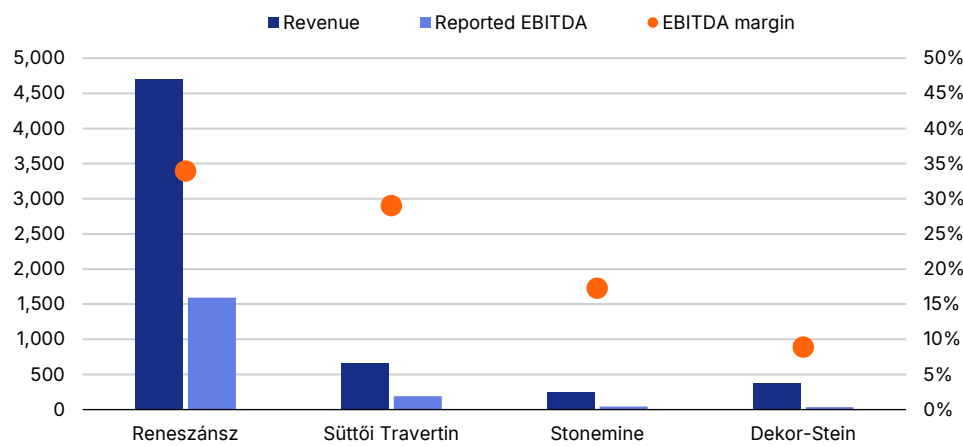
Strong domestic market position, but limited visibility on medium-term top-line development

The company’s top-line development is closely tied to public spending, as most of its products are used for the construction and renovation of government buildings in Budapest. Many national heritage buildings in Budapest are constructed with limestone from the S tt  quarry, providing a captive market for the company’s products.

The current phase of the large-scale monument renovation programme (focusing on Buda Castle and Kossuth Square) is coming to an end in 2026, with limited visibility on a potential extension. This poses risk related to loss of market share in the medium term. If demand deteriorates on the captive market of Budapest, Renesz nsz could have difficulties competing with other regional players due to high logistic costs and the different properties of limestone mined in different regions.

The company’s production capacities are fully covered by orders until the end of 2026. There is limited visibility on orders beyond 2026, but the current order book is around HUF 8bn with multiple additional projects under negotiation.

Figure 1: Hungarian limestone producers (2024 data, HUF m)



Sources: Renesz nsz, Scope

Although Renesz nsz has a strong market position in a niche sector on the domestic market, the company’s absolute size is still small in both a domestic and European context. This makes it more vulnerable to external shocks and limits its ability to withstand market environment risks or shrinking end-market demand.

Asset diversification remains low, as mining operations take place at a single site, comprising the quarry and adjacent production facilities. Rock is extracted from two separate locations at the quarry, and the production facilities are spread across separate buildings. The product suite is also concentrated on dimension stone and carvings, with no expected change over the medium term.

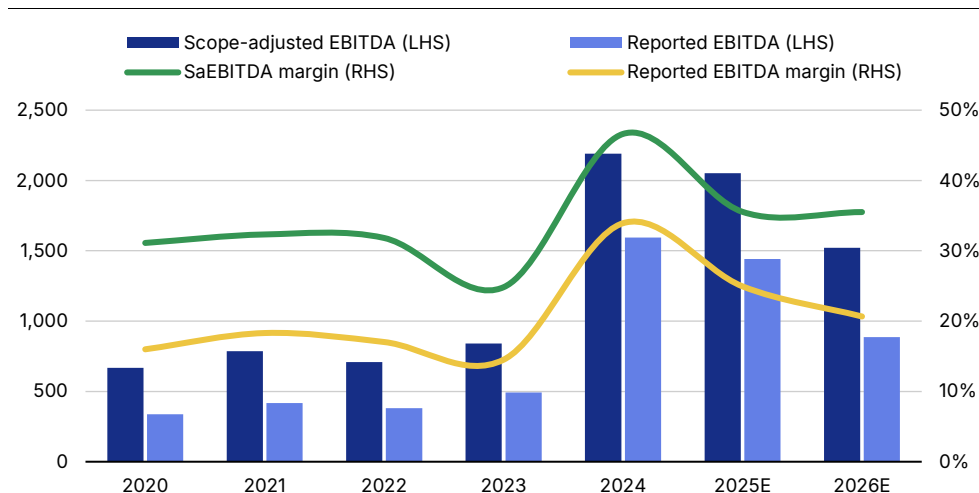
High concentration in terms of products, orders book, customers and geographies

Customer concentration is still high, with a single entity accounting for about 34% of revenue in 2024. This is no surprise considering the highly concentrated nature of the order book. Large-

scale projects, such as the renovation of Buda Castle, absorb Reneszánssz's limited production capacities, and the general contractor in these projects is usually the most important customer.

Currently, Reneszánssz has an order book of around 15 months, consisting of two ongoing projects. Taking into account the highly concentrated nature and the long duration of these projects, delays are probable. We note, however, that visibility beyond 2026 remains limited. The extension of both project is currently under negotiation, alongside various other projects.

Figure 2: Development of reported and Scope-adjusted EBITDA (HUF m) and Scope-adjusted and reported EBITDA margin (%)



Sources: Reneszánssz, Scope estimates

Historically, Reneszánssz's reported EBITDA margin has shown relatively low volatility, staying in the 14%-18% range in the past three years. This changed in 2024, when the reported EBITDA margin jumped to around 34% (2023: 15%). The improvement in operating profitability can be linked to the different margins that can be achieved in different parts of the project life cycle. In the initial phases, the emphasis is on planning and laying out tiles, which are lower-value-added processes with lower margins. As the project progresses, higher-value-added tasks such as carving and sculpting are undertaken. As both major projects come closer to completion, they reach the higher-value-added phase. This is reflected in the H1 2025 interim accounts, with a reported EBITDA margin of 37%, which is even a slight improvement on 2024.

Beyond 2025, we anticipate that the EBITDA margin will stabilise at approximately 21% and forecast a slight decline towards the upper end of the historical 15%-20% range. Our more conservative approach is due to limited order book visibility in the medium term. We anticipate that the issuer will demonstrate resilience, with an ability to effectively pass on external shocks (such as increases in energy prices or wage costs) via its selling prices. We expect this price-taker market dynamic to persist in the medium term due to the highly specialised nature of Reneszánssz's products.

Limestone has been mined at the Süttő quarry since the Roman times, and the reserve is expected to last for several hundred more years. The limestone mined here is suitable for both indoor and outdoor flooring, and has unique properties not just visually, but by being resistant to extreme temperatures. Additionally, the limestone is more environmentally friendly, because it is reusable, and no hazardous material is created during the demolition of limestone constructions.

8. Financial risk profile: B

The company's financial risk profile is supported by moderate interest cover but remains constrained by high leverage and negative FOCF generation.

We expect EBITDA interest cover to stay comfortably above 4.0x until 2026, benefiting from the improved EBITDA generation and the fixed coupon rate of the bond. The bond issuance in April 2021 secured funding and locked in the borrowing cost for Reneszánssz until 2031, with

Improving operating profitability with expected normalisation in the medium term

Long quarry reserve life benefits business risk profile

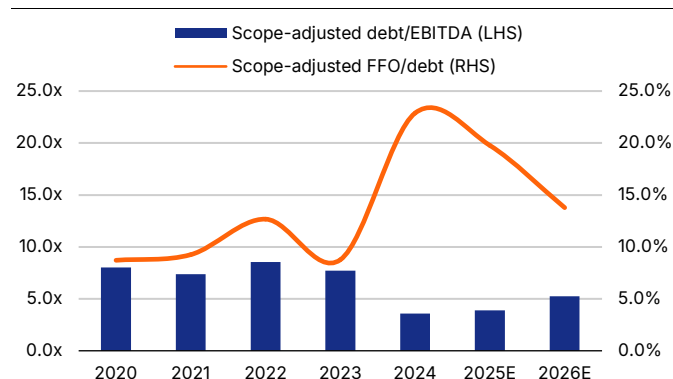
Consistently negative FOCF and high leverage, but strong interest coverage

amortisation starting in 2024 and the coupon rate fixed at 3.2%. The interest component of the operating lease payment significantly affects interest cover metrics (2024: HUF 279m, out of HUF 368m in total interest payments).

The significant improvement of EBITDA generation in 2024 positively affected leverage, measured by debt/EBITDA, which reached 3.6x (2023: 7.7x). Debt increased by 21% to HUF 7.8bn due to: i) an increase in the operating lease obligation adjustment due to the indexation of the yearly mine lease payment; and ii) the elimination of cash netting from 2024. We expect leverage to remain at around 4.0x in 2025 and to move towards 5.0x in the medium term due to lower EBITDA generation in the coming two to three years (more conservative medium-term forecast to reflect business cyclicality).

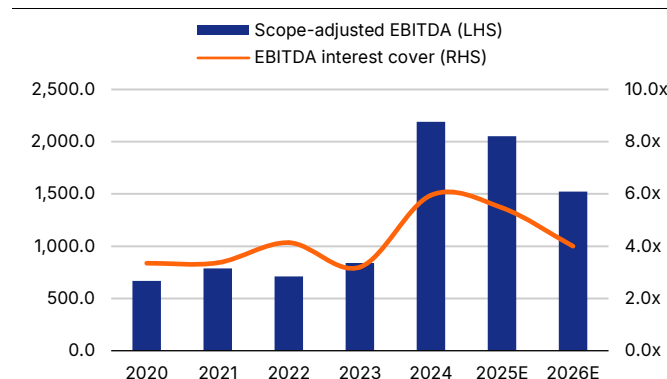
Cash flow cover measured by FOCF/debt has been deeply negative in the previous years, mainly because of the significant capex undertaken. In 2024 FOCF generation was closer to break-even (negative HUF 305m), stimulated by higher EBITDA generation and lower capex, but negatively affected by changes in working capital and lease amortisation. We expect FOCF generation to be close to break-even going forward despite the lower capex, mainly due to cash outflow related to changes in working capital.

Figure 3: Scope-adjusted debt/EBITDA and Scope-adjusted FFO/debt



Sources: Reneszansz, Scope estimates

Figure 4: Scope-adjusted EBITDA (HUF m) and EBITDA interest cover



Sources: Reneszansz, Scope estimates

Liquidity is adequate, as sources (HUF 388m of cash available as of YE 2024 and HUF 411m of FOCF forecasted for 2025) fully cover the HUF 240m of short-term debt maturing in 2025. However, Reneszansz has a limited liquidity buffer. Increasing cash absorption from working capital or weaker-than-forecasted EBITDA generation could result in inadequate liquidity.

Adequate liquidity, but shrinking headroom

Renezsánsz'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 2.2bn) if the debt rating of the bond 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 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)

	2024	2025E	2026E
Unrestricted cash (t-1)	696	388	692
Open committed credit lines (t-1)	-	-	-
FOCF (t)	(301)	424	84
Short-term debt (t-1)	120	120	240
Liquidity	165%	>200%	>200%

Sources: Reneszánssz, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

Supplementary rating drivers are deemed credit-neutral.

10. Debt rating

We rate senior unsecured debt issued by Reneszánssz at B+, one notch above the issuer rating. The recovery for senior unsecured debt holders in a liquidation scenario is 'excellent', which would allow for more than one notch of uplift from the issuer rating. However, we have limited the uplift to one notch due to potential volatility in the capital structure on the path to default and the issuer's ability to raise additional debt ranking above senior unsecured debt.

Senior unsecured debt rating: B+

In April 2021, Reneszánssz issued a HUF 2.4bn senior unsecured bond (ISIN: HU0000360375) through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds have been used for refinancing and capital investment, i.e. to procure new mining and stoneworking equipment and to refurbish existing equipment. The bond's tenor is 10 years, with a fixed coupon of 3.2% and repayment in eight tranches: 5% of the face value in 2024 and 2025; 10% yearly between 2026 and 2030; and 40% at maturity in 2031.

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

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[Scope contacts](#)scoperatings.com**Disclaimer**

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