ENSI Kft.

Hungary, Construction

Rating composition

Business risk profile		
Industry risk profile	B	B
Competitive position	B	
Financial risk profile		
Credit metrics	BBB+	**BBB+**
Liquidity	+/-0 notches	
Standalone credit assessment		**BB-**
Supplementary rating drivers		
Financial policy	+/-0 notches	**-1 notch**
Governance & structure	+/-0 notches	
Parent/government support	+/-0 notches	
Peer context	-1 notch	
Issuer rating		**B+**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	Net interest income			
Scope-adjusted debt/EBITDA	2.1x	2.3x	2.1x	2.8x
Scope-adjusted funds from operations/debt	101%	-7%	45%	34%
Scope-adjusted free operating cash flow/debt	73%	-37%	64%	44%
Liquidity	No ST Debt	No ST Debt	No ST Debt	No ST Debt

Rating sensitivities

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

- Improving business risk profile, via improved market position, diversification, stronger visibility on cash flows from a larger order backlog, while sustaining current credit metrics
- Removal of the negative notch for peer group while maintaining or improving financial risk profile

The downside scenario for the ratings and Outlook is:

- Debt/EBITDA sustained above 4.0x

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

Issuer

B+

Outlook

Stable

Senior unsecured debt

B+

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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
• Solid financial risk profile with robust interest coverage and good leverage • Adequate order book of around 0.8x • Market leader in niche segment, with 20% market share in mechanical engineering	• Small construction company in both a European and a Hungarian context with a lack of geographic diversification • Weak diversification by geography and customer • Limited medium-term visibility on cash flows due to average project duration of less than one year

2. Rating Outlook

The Outlook is **Stable**. This incorporates our assumption that ENSI's credit metrics will remain mainly unaffected by the worsening performance of the construction segment and stay at current levels, with debt/EBITDA of consistently below 4.0x, positive net interest income and volatile free operating cash flow. The Outlook also factors in potential M&A of around HUF 5bn over the forecast horizon.

3. Corporate profile

ENSI is a Hungarian construction company specialised in mechanical engineering (heating, cooling, ventilation, hot water, lighting) with over 25 years of experience in its domestic market. The company was established in 1994 and is owned by the Németh family: founder and CEO László Németh along with his three sons. Headquarters are in Budapest. On top of mechanical engineering implementation, which accounts for about 90% of total revenue, the company also engages in professional consulting, planning, and maintenance through specialised members of the ENSI group.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
10 Dec 2025	Affirmation	B+/Stable
11 Dec 2024	Affirmation	B+/Stable
19 Dec 2023	Monitoring review	B+/Stable
19 Jan 2023	Affirmation	B+/Stable

5. Financial overview (financial data in HUF m)

			Scope Estimates		
Credit ratios	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	Net interest income				
Debt/EBITDA	2.1x	2.3x	2.1x	2.8x	3.4x
FFO/debt	101%	-7%	45%	34%	28%
FOCF/debt	73%	-37%	64%	44%	60%
EBITDA in HUF m					
Reported EBITDA	2,594	2,420	2,579	1,900	1,439
Recurring associate dividends received	39	23	52	52	52
EBITDA	**2,632**	**2,443**	**2,631**	**1,952**	**1,491**
Funds from operations (FFO) in HUF m					
EBITDA	2,632	2,443	2,631	1,952	1,491
less: interest	891	299	13	72	15
less: taxes paid	(279)	(253)	(227)	(168)	(121)
Other non-operating charges before FFO[1]	2,328	(2,883)	81	-	-
FFO	**5,571**	**(393)**	**2,499**	**1,856**	**1,385**
Free operating cash flow (FOCF) in HUF m					
FFO	5,571	(393)	2,499	1,856	1,385
Working capital changes	(1,526)	(1,650)	1,080	722	1,791
Non-operating cash flow	-	-	(55)	(157)	(157)
less: Capex (net)	(17)	(3)	(3)	(3)	(3)
FOCF	**4,028**	**(2,046)**	**3,521**	**2,419**	**3,017**
Interest in HUF m					
Net cash interest per cash flow statement	(891)	(299)	(13)	(72)	(15)
add: other interest	-	-	-	-	-
Interest	**(891)**	**(299)**	**(13)**	**(72)**	**(15)**
Debt in HUF m					
Reported financial debt	5,500	5,500	5,500	5,500	5,000
add: other debt-like items	-	-	-	-	-
Debt	**5,500**	**5,500**	**5,500**	**5,500**	**5,000**

[1] Includes mainly deferred and accrued items

6. Environmental, social and governance (ESG) profile[2]

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

ESG profile: credit-neutral

ENSI is family-owned, with László Németh the majority shareholder and owner. He is supported by a five-person management team of financial and engineering specialists, reducing the key person risk typical for family-owned companies. There is no independent supervisory board.

Given the issuer's well-diversified project portfolio with a limited exposure to public procurement, political risk is limited.

In 2022 ENSI formulated a dedicated ESG strategy for the next 10 years, aiming for a 50% reduction in the carbon footprint by 2028 and zero carbon emissions by 2033.

[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: B

ENSI is a small construction company in the context of both Europe and Hungary. In the previous years ENSI's revenue has seen significant volatility but this is aligned with the performance of the Hungarian construction segment, more precisely to investment volumes.

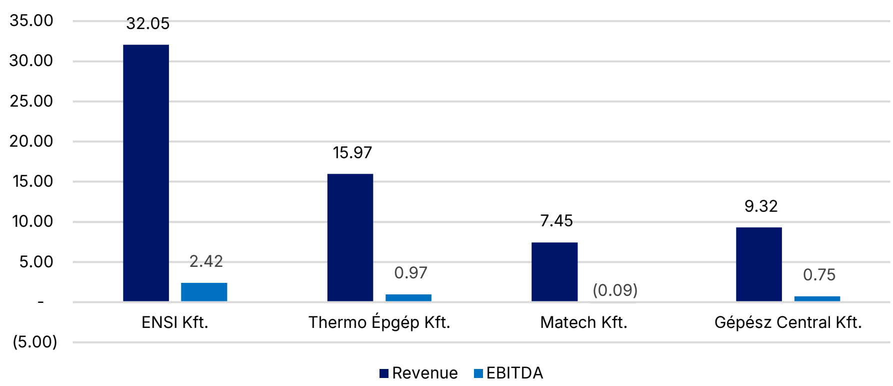
ENSI's revenue grew rapidly until 2021 but decreased by around 9% in 2022. The level jumped in 2023 by 84% YoY to HUF 33.8bn, caused by record foreign direct investment into Hungary in 2022-2023, most notably through the BMW factory in Debrecen and battery manufacturers Samsung SDI, SK and CATL. ENSI took part in these projects despite some execution concerns as the project requirements differ, e.g. only Chinese-Hungarian joint ventures could be contracted for the Huayou Cobalt plant in Ács.

Revenues decreased only slightly by 5.3% YoY despite more challenging market conditions. Going forward, management aims to develop two new strategic segments: i) projects outside of Hungary through existing business relationships (e.g. with Nestle in its Italian manufacturing plant); and ii) an increased focus on food producers, mainly domestically (e,g. the Pick/Bonafarm Plant in Szeged; Kometa in Kaposvar).

In 2024, revenues were around HUF 32.0bn (EUR 80.1m), around 5% lower as compared to 2023. ENSI, however, is market leader of its niche sector, holding a 20% market share. Its direct competitors include family-owned SMEs with a strong focus either on a region or on a project type. Thermo Épgép is active mainly in Pest County in the Budapest agglomeration area; it also worked on the reconstruction of Budapest metro line M3. Others are Matech, part of the KÉSZ group, the subsidiary responsible for mechanical engineering, and Gépész Central, part of the Gépész holding group.

ENSI focuses on large projects of above 20,000 square metres, which require specialised knowledge and add more value. ENSI has also long been the preferred business partner of the market leader in general contracting, Market Építő Zrt. (BB-/Stable).

Figure 1: ENSI Kft. and direct peers by revenue in 2023 (HUF m)



Sources: Public information, Scope

Limited diversification in terms of activities and geographies

Geographical diversification is weak, with activities only in Hungary. From this year, the geographical distribution has become more focused on the countryside, mainly in the Debrecen region, where major automotive investments are ongoing. Around 24% of the projects (typically office buildings and residential projects) are in Budapest, while 76% are in the rest of the country (mainly factories). The three largest projects – BAMO Cobalt, Hungerit (Bonafarm Group) and CATL – are in the countryside, but the major office project – Budapart – is in Budapest.

In terms of segment diversification, ENSI is only active in buildings. Within this segment, however, ENSI deals with a wide variety of projects, including manufacturing plants, office buildings and apartment blocks. These subsegments are exposed to changes in market conditions to a different extent, which helps mitigate the risks related to segment concentration.

In 2025 ENSI participated in 29 projects (2024: 26 projects), with the two largest by revenue being Bamo Cobalt (battery manufacturer) and food manufacturer Hungerit. Based on the current order book, factories are the most prominent (73% of total orders, a significant increase since previous year), followed by apartments (around 10%, similar to prior year), and offices (around 16%). The office segment is lower than in the prior year as several major projects – mainly related to Budapart – were almost complete as of November 2025.

Customer diversification remains weak but has improved since the previous review. Customer concentration is high, with ENSI's biggest customer, Market Építő Zrt, accounting for almost 45% of 2024 revenue (top five: 79%; vs 2023: 96%). The strong cooperation with Market continued in 2025, with the majority of projects in the pipeline including Market too.

Stable operating profitability, with EBITDA margin of around 7%

As of November 2025, the order book for 2025-2026 equates to around HUF 23bn (0.75x), below the nominal average of HUF 30bn in the past three years. These fluctuations across business cycles have been due to the periodic nature of foreign direct investment; the lower order book indicates a decreasing topline for 2026. In the medium term the backlog is expected to remain at around 1.0x, and due to the short project durations (less than one year on average), never to significantly exceed 1.0x.

In 2024 the EBITDA margin has remained in line with the previous year's result and therefore resilient to the more adverse market conditions (7.6%). Based on interim Q3 financial information, the EBITDA margin for 2025 is forecasted to reach close to this level, too (8.5%). Going forward, we expect relatively stable profitability, which assumes: i) softer end-market demand due to negative macroeconomic conditions; and ii) the issuer's strong position in its niche segment, enabling margin protection. The EBITDA forecast in the financial base case is slightly below the management forecast (2025-2026: around 7%).

8. Financial risk profile: BBB+

ENSI's financial risk profile remains the strongest pillar of the rating, supported by moderate leverage and a structurally positive net interest position, despite temporary weakness in cash flow generation.

Good leverage metrics, with modest level of financial debt

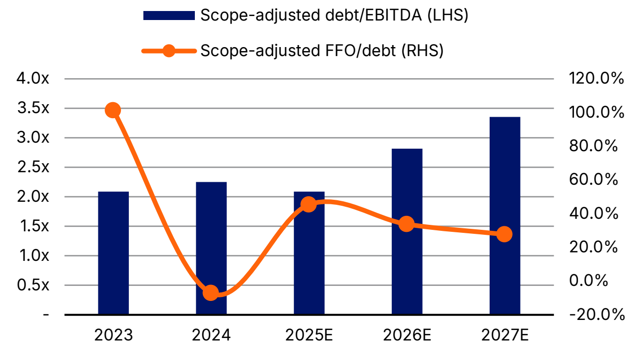
Following the HUF 5.5bn senior unsecured bond issuance in 2022 under the Hungarian Bond Funding for Growth Scheme, leverage increased from the historically debt-free levels to a moderate range. We expect debt/EBITDA to remain between 2.0x–3.5x over the forecast horizon, with no additional debt intake assumed.

As bond amortisation does not start until 2027, leverage will depend primarily on operating profitability. The volatility in funds from operations (FFO)/debt between 2022 and 2024, ranging from 14% to 101% and then dropping to -7%, reflects significant swings in operating cash flow generation relative to debt. These fluctuations are primarily driven by accrued and deferred income positions, which impact FFO. Despite this variability, the projected FFO/debt for the next three years (average 36%) indicates normalisation, albeit still subject to cyclicality. While historical volatility is notable, the expected stabilisation supports our view that overall leverage remains manageable, given the company's capacity to maintain adequate liquidity and debt serviceability.

Volatile cash flow movement; expected to stabilise

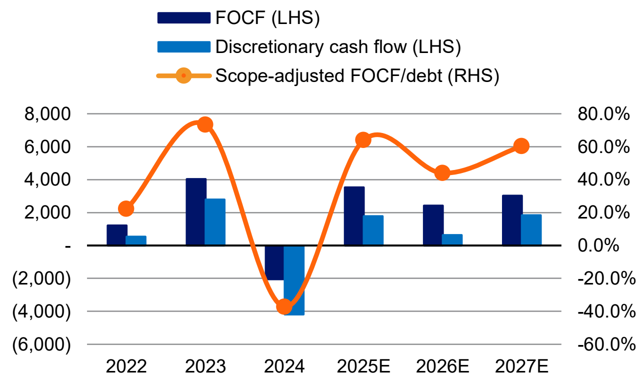
Cash flow coverage, while historically strong, weakened in 2024, with free operating cash flow turning negative owing to higher working capital requirements linked to large projects. Cash flow coverage has been very volatile, swinging from 22% to 73% and then - 37% during 2022-2024. This pattern underscores the sensitivity of free operating cash flow to deferred and accrued revenues, as well as volatile working capital changes. The projected improvement to 56% on average over the next three years suggests a return to strong coverage. Despite historical swings, the forward-looking profile indicates the company's ability to generate robust free cash flow under normalised conditions, providing a solid buffer for debt repayment.

Figure 2: Leverage metrics



Sources: ENSI, Scope estimates

Figure 3: Cash flows (HUF m) and cash flow coverage (%)



Sources: ENSI, Scope estimates

Net interest income due to short-term investing of unused bond proceeds

Interest coverage continues to benefit from net interest income, as unused bond proceeds are placed in short-term deposits (yielding around 4% in 2025-2027), offsetting the fixed coupon of 4.75%. This results in net interest income in the medium term, albeit at a lower level compared to 2023–2024. While interest cover is structurally strong, we apply a conservative view given the potential risks from faster-than-expected M&A or additional debt intake. Nevertheless, ENSI is expected to comfortably meet its interest obligations over the medium term. The bond proceeds have not yet been deployed and the expected acquisitions have not yet taken place, which limit execution risk for now but underscores the importance of maintaining liquidity until strategic plans materialise.

Adequate liquidity

Liquidity remains adequate, supported by the absence of short-term debt and a strong cash position. ENSI had HUF 6.8bn of unrestricted cash (including bond proceeds HUF 5.5bn) at YE 2024 and expects positive FOCF of HUF 3.5bn in 2025. No debt maturities occur before 2027, and liquidity risk is considered remote given the significant cash buffer.

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

Liquidity sources and uses in HUF m	2023	2024	2025E	2026E	2027E
Unrestricted cash (t-1)	8,111	10,797	6,833	8,343	6,968
Free operating cash flow (t)	4,028	(2,046)	3,521	2,419	3,017
Short-term debt (t-1)	-	-	-	-	500
Coverage	**No ST Debt**	**No ST Debt**	**No ST Debt**	**No ST Debt**	**>200%**

Source: ENSI, Scope estimates

9. Supplementary rating drivers: - 1 notch

Negative notch adjustment for peer context

The B+ issuer rating incorporates a negative one-notch adjustment for peer context. The issuer's limited size and weak diversification in terms of activities, geographies and customers constrain its credit profile to the B rating category compared to relevant peers in the BB category.

10. Debt ratings

Senior unsecured debt rating: B+

ENSI issued a HUF 5.5bn senior unsecured bond (ISIN: HU0000361258) in January 2022 through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds are currently unused but earmarked for M&A, in line with the company's strategy to enter related segments and achieve synergies and economies of scale. The bond has a tenor of 10 years and a fixed coupon of 4.75%. Bond repayment is in six tranches; 10% of the face value is payable each year between 2027 and 2031, and 50% at maturity in 2032. Scope highlights that ENSI's senior unsecured bonds 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 5.5bn) 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. 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.

Scope has affirmed ENSI's senior unsecured debt rating at B+, the same level as the issuer rating. The recovery analysis is based on a hypothetical default scenario at year-end 2027. Scope used the going concern scenario in its analysis due to the asset-light nature of the company and the assumption that its business activity generates its enterprise value. Recovery is 'average' for the holders of senior unsecured debt in this scenario.

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