

Metál Hungária Holding Zrt

Hungary, Construction & Materials

Rating composition

Business risk profile		
Industry risk profile	BB	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	+/-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	19.4x	12.5x	10.2x	10.8x
Scope-adjusted debt/EBITDA	1.7x	2.0x	2.7x	2.4x
Scope-adjusted funds from operations/debt	51%	40%	30%	34%
Scope-adjusted free operating cash flow/debt	11%	69%	41%	24%
Liquidity	>200%	>200%	>200%	195%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Improving business risk profile, e.g. driven by improved diversification by segment and/or geography to reduce the reliance of its top line on FDI (deemed remote).

The downside scenario for the ratings and Outlook:

- Scope-adjusted debt/EBITDA increasing above 3x on a sustained basis. This could be triggered by: i) an adverse operational development leading to reduced profitability and operating cash flows; or ii) higher dividend and dividend-like pay-outs in excess of FOCF.

*All credit metrics refer to Scope-adjusted figures.

Issuer

BB-

Outlook

Stable

Senior unsecured debt

BB-

Lead Analyst

Vishal Joshi

+69 667738900

v.joshi@scoperatings.com

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">• Market leader in its niche segment, with position protected for the medium term through medium entry barriers for specialty construction (façade cladding and roof covering) and long-standing relationships with clients.• Adequate customer diversification and credit quality limits the impact of a single customer’s default or inadequate payment behavior.• Strong debt protection benefits from no immediate financing needs and fixed interest rates.• Consistently positive FOCF throughout the construction cycle, supporting stable debt development and sound liquidity.• Improved profitability driven by elimination of non-business-related grants to direct owners and cost savings enabled by investments into the company’s PPE.	<ul style="list-style-type: none">• Small construction company, but market leader in its niche segment.• Exposed to the domestic construction industry, leaving cash flows vulnerable to the expected cooldown.• Weak segment diversification as all activities serve the same domestic end-markets.• Less than 1 year backlog coupled with short project durations (typical for the segment) limit cash flow visibility.

2. Rating Outlook

The **Stable Outlook** reflects Scope’s view that credit metrics will remain solid, with debt/EBITDA expected to develop within a range of 2.0-3.0x over the next 18 to 24 months. This is underpinned by the company’s ability to execute its order backlog, ensuring revenue visibility for 2025-2026. Despite challenges from the local construction downturn and an uncertain macroeconomic environment, we expect the company to maintain controlled leverage.

3. Corporate profile

Founded in 1996, Metál Hungária Holding Zrt. (MHH) is a construction firm focused solely on the niche market for roofing and cladding, including some activities in the design, manufacturing, assembly, and supply of steel products for its own construction sites. According to the company, MHH is an independent market leader (~80% market share) in Hungary for façade cladding and roof covering. As such, it has been involved in all the country’s major industrial, logistic, commercial and recreation development projects in recent years across a diverse range of industries, from automotive to pharmaceuticals, promising it high quality, innovation, and reliability.

Hungarian construction firm

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
12 SEP 2025	Affirmation	BB-/Stable
11 SEP 2024	Affirmation	BB-/Stable
14 SEP 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	59.4x	19.4x	12.5x	10.2x	10.8x	11.3x
Debt/EBITDA	1.3x	1.7x	2.0x	2.7x	2.4x	2.2x
Funds from operations/debt	70%	51%	40%	30%	34%	37%
Free operating cash flow/debt	24%	11%	69%	41%	24%	31%
Liquidity	>200%	>200%	>200%	>200%	195%	>200%
EBITDA						
Reported EBITDA	12,972	12,699	8,847	6,199	6,633	6,832
Operating lease payment	400	536	620	620	620	620
One-off items	100	-	-	-	-	-
EBITDA	13,472	13,235	9,467	6,819	7,252	7,451
Funds from operations (FFO)						
EBITDA	13,472	13,235	9,467	6,819	7,252	7,451
less: interest	(227)	(682)	(755)	(671)	(670)	(660)
less: cash tax paid	(1,213)	(1,044)	(1,026)	(642)	(697)	(721)
Funds from operations	12,032	11,510	7,686	5,506	5,885	6,071
Free operating cash flow (FOCF)						
Funds from operations	12,032	11,510	7,686	5,506	5,885	6,071
Change in working capital	(5,159)	(4,641)	7,757	2,520	(893)	(410)
Non-operating cash flow	(2,493)	(3,841)	(2,044)	-	-	-
less: capital expenditures (net)	(66)	(309)	161	(250)	(516)	(269)
less: lease amortisation	(200)	(268)	(310)	(310)	(310)	(310)
Free operating cash flow	4,114	2,450	13,250	7,466	4,166	5,082
Interest						
Cash interest paid per cash flow statement	466	549	544	460	430	400
less: cash interest received per cash flow statement	(439)	(135)	(99)	(99)	(70)	(50)
add: interest component on operating leases	200	268	310	310	310	310
Interest	227	682	755	671	670	660
Debt						
Reported financial (senior) debt	14,000	18,453	14,296	13,390	12,484	11,578
less: cash and cash equivalents	(8,578)	(5,885)	(9,034)	(12,284)	(11,947)	(12,404)
add: non-accessible cash ¹	8,578	5,885	9,034	12,284	11,947	12,404
add: operating leases	3,090	4,139	4,784	4,784	4,784	4,784
Debt	17,090	22,592	19,081	18,175	17,268	16,362

¹ Excluding cash from net debt, based on the assumption that available cash is fully deployable for capex and business expansion, and therefore not considered structurally available for debt repayment.

6. Environmental, social and governance (ESG) profile²

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

MHH’s industry of construction has been focused on reducing the use of energy and non-renewable materials as well as limiting the environmental footprint of its projects and operations globally. The social aspect is also relevant, especially regarding practices that could severely impair reputation and financial performance (e.g. corruption, stakeholder management). Malpractice would also impair the company’s ability to win new orders or execute own projects and therefore threaten cash flow.

Neutral ESG profile

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

Still, no drivers of the credit rating are considered ESG-related factors with a substantial impact on the overall assessment of credit risk.

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

MHH predominately acts as a contractor specialised in roofing and façade cladding as well as speciality low-weight construction (cleanrooms). These areas require specialist knowledge in both engineering and manual labour. Together with the generally high cyclicalty and low substitution risk of the construction industry, this leads to an associated industry risk assessment of BB.

Industry risk: B

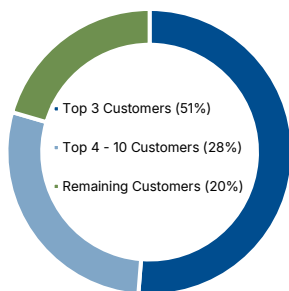
Following the pandemic-induced downturn in 2020, Metal Hungária Holding Zrt. (MHH) experienced a strong recovery, with revenues rising to HUF 49.6bn (EUR 134m) in 2021 (+45% YoY), continuing to HUF 71.3bn (EUR 178m) in 2022 (+44%) and HUF 84.3bn (EUR 220m)³ in 2023 (+19%). However, FY2024 marked a reversal, with revenues declining to HUF 63bn (EUR 154m, -25% YoY)⁴ and Scope-adjusted EBITDA falling to HUF 9.5bn (EUR 23m, -30%).

Small construction company, but market leader in its niche

The decline was largely driven by a 30% drop in foreign direct investment (FDI) into Hungary, which slowed the pace of large-scale industrial and logistics developments, key drivers of MHH's top-line performance. Despite this, MHH remained actively involved in major national development projects, consistent with its historical positioning.

Even amidst a global decline in the construction industry, the specific niche segment in which MHH operates also displayed the effect of reduce FDI. This trend is made clear by the performance of the first half of 2025, during which HUF 25.59bn (EUR 65m) in revenue was generated, almost 30% down from H1 2024.

Figure 1: Customer concentration 2025E



Sources: MHH, Scope estimates

As domestic market activity begins to moderate, Metal Hungária Holding Zrt. (MHH) is refocusing on international expansion to diversify its portfolio and support future growth. The company has already secured a contract in Austria and is actively participating in tenders across Central and Eastern Europe, targeting markets such as Slovenia, Slovakia, Romania, and Croatia. These markets offer limited competition, with MHH benefiting

Entering New Markets Internationally

from established relationships and direct requests from end-customers, positioning the company to capitalise on the next wave of regional industrial development.

Currently, MHH is tendering for international projects with a combined volume of approximately EUR 50m. While no contracts have been finalised yet, the pipeline reflects strong potential for conversion, indicating a promising outlook for cross-border activity.

Management expects 2025 to resemble 2024 in terms of market conditions, with a gradual recovery anticipated from 2026, supported by renewed foreign direct investment inflows. MHH continues to operate in a niche segment of the Hungarian construction market, with no new entrants observed. Its dominant position is reinforced by access to capital and long-standing relationships with multinational clients, which act as natural barriers to entry and safeguard market share.

We expect MHH to maintain its leadership in roofing and façade cladding, as well as in specialty low-weight construction (e.g., cleanrooms). This outlook is supported by its entrenched market presence, lack of meaningful competition, and continued involvement in large-scale industrial projects. Although FDI has declined, the volume of ongoing developments remains sufficient to sustain activity. These factors underpin our forecast for stable revenues in the range of HUF 50-

³ EUR: HUF = 383, on 31 Dec 2023

⁴ EUR: HUF = 412, on 31 Dec 2024

60bn over the next two to three years, in line with management guidance, which has historically proven to be a reliable indicator of actual performance.

Geographical diversification remains limited, with MHH deriving nearly all revenue from the Hungarian construction sector. This concentration exposes the company to cyclical pressures, particularly during industry downturns. The sector has faced headwinds from the Russian-Ukrainian war, rising financing costs, inflation, and Hungary's potential budget deficit, leading to delays in many large-scale state-funded projects.

Despite these challenges, MHH operates in a niche segment that has remained resilient, supported by FDI in recent years. While FDI declined by 30% YoY, segments relevant to MHH continue to show positive momentum, even independent of broader investment trends.

As of June 2025, Hungary's construction output rose modestly by 2.6% YoY, driven by civil engineering growth (+6.5%), while building construction stagnated (+0.4%). Contract volumes increased by 17.9% YoY, with civil engineering contracts surging (+38.5%) despite a decline in building construction (-7.2%).

Given MHH's focus on stable, FDI-backed industrial projects, short-term risks to cash generation are considered manageable.

The company's segment diversification also remains weak. While MHH concentrates on the construction and design of façade cladding and roof coverings, it also undertakes minor operations involving steel products, acting as both a supplier (through trading activities) and a producer (of building materials). However, these activities hold little significance in terms of segment diversification since they cater to the same end-markets (construction). This exposes MHH to a limited range of underlying demand patterns, consequently amplifying the impact of the industry's inherent cyclical nature and resulting in heightened volatility in cash flow.

In 2024, Mercedes-Benz was one of MHH's top customer, driven by its investment in an EV manufacturing facility in Kecskemét, Hungary. In 2025, Samsung is expected to be one of the top clients. Overall customer concentration is increasing: the top 3 clients are projected to contribute HUF 23.2bn (51% of revenue) and the top 10 HUF 35.6bn (79%), compared to 36% and 61% respectively in 2024. MHH is currently active on over 63 projects, with 10 expected to generate more than HUF 1bn each, similar to 2024. These large contracts represent 80% of forecasted 2025 revenue, while the remainder reflects a more granular customer base.

As of June 2025, MHH's backlog stands at HUF 31.9bn, with key projects underway for Mercedes, Samsung, Cobalt, and LIDL. Demand from developers is strengthening, and management anticipates further acceleration from 2026. The pipeline includes new opportunities worth HUF 96.3bn, featuring large-scale projects for Lego, BYD, and CATL.

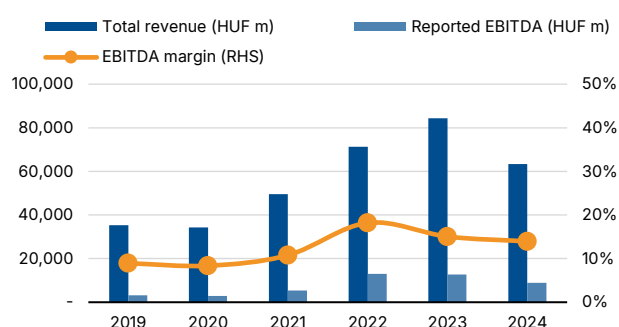
Customer concentration risks are considered manageable due to the strong credit quality and recurring demand from key clients. Additionally, MHH's role as subcontractor on high-value projects reduces dependency on general contractors, with payment schemes protected under Hungarian law.

Exposure to domestic construction industry makes cash flows vulnerable

Weak segment diversification as all activities serve the same domestic end-markets

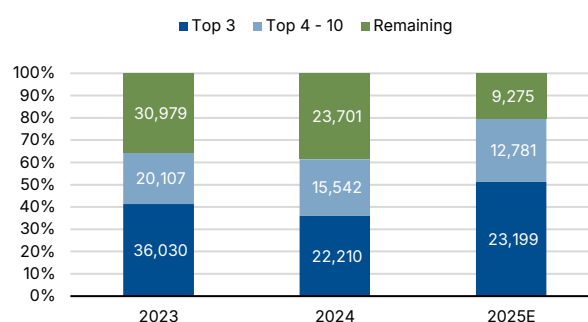
Adequate customer diversification limiting the impact of a single customer's default

Figure 2: Scope-adjusted EBITDA margin



Sources: MHH, Scope

Figure 3: Revenue concentration by customers (HUF m)



Sources: MHH, Scope

MHH's profitability has shown moderate volatility, with Scope-adjusted EBITDA margins ranging between 9% and 20% in recent years. In 2022, margins peaked at 19%, driven by a sharp drop in material costs following elevated pricing in 2021, when companies, including MHH, built buffers into project margins. As expected, margins normalised to 16% in 2023.

Improved profitability driven by favourable cost dynamics and stable project pricing

Despite a decline in revenue in 2024, MHH maintained solid profitability, with Scope-adjusted EBITDA of HUF 9.5bn and a margin of 15%. This was supported by favourable cost dynamics, including lower material and subcontractor expenses, and stable project pricing. MHH's strong market position and advantageous procurement terms were key contributors to this performance.

Looking ahead, we project profitability to moderate due to rising competition and oversupply in the subcontractor market, which may pressure pricing. EBITDA margins are projected to settle in a more sustainable range of 11-13% over the medium term.

MHH's average revenue over 2022-2024 was HUF 72bn, with projected revenue exceeding HUF 50bn for 2025. In H1 2025, revenue reached HUF 26bn, down from HUF 36.5bn in H1 2024. The backlog of fully contracted projects declined slightly to HUF 32.0bn (H1 2024: HUF 39.0bn), with HUF 20bn expected to be delivered in H2 2025 and HUF 11.7bn already contracted for 2026. This modest dip compares favourably to the sharper drop seen in H1 2023 (HUF 63.3bn to HUF 39bn).

Backlog beginning to show decline

The slowdown in backlog is consistent with expectations, but MHH is well-positioned to secure several large projects currently in tender, with a combined value of HUF 96.3bn (EUR 241m), including contracts with Lego, BYD, and CATL. MHH's strong reputation and ongoing work with multiple major clients support confidence in conversion.

Given the short duration of MHH's typical projects (3-6 months), and the frequent announcement of new developments in Hungary, the contracted backlog does not fully reflect the company's forward workload. Most contracts are signed and executed within the same year, making backlog figures a limited indicator of 12-18-month revenue visibility.

In 2024, MHH recognised provisions totalling HUF 2.0bn related to subcontractor performance issues, primarily due to delays and material delivery failures. While MHH is not subject to any claims, it has initiated recovery actions against suppliers, some expected to be resolved through legal proceedings, others via out-of-court settlements. Management anticipates recovering 60-65% of the provisioned amount, based on ongoing negotiations and the nature of the disputes.

Current order status and dispute update

Additionally, MHH secured a contract for BYD's first factory investment in Hungary. MHH is among the first Hungarian specialised construction companies who work directly with BYD.

8. Financial risk profile: BBB+

The financial risk profile continues to benefit from strong debt protection, good leverage and good cash flow cover.

Scope-adjusted EBITDA interest cover remained robust at 12.5x in 2024, consistently exceeding 10x in recent years.

Interest cover remains stable due to low overall indebtedness

Interest-bearing debt declined to HUF 14.3bn at YE 2024 (YE 2023: HUF 18.5bn), following the partial repayment of a previously introduced HUF 5.4bn short-term working capital line. The remaining HUF 2.1bn continues to support liquidity across the 38 active projects. Scope-adjusted debt also includes HUF 4.8bn in operating leases.

Financial income decreased slightly to HUF 99m in 2024 (YE 2023: HUF 135m), in line with the normalisation of deposit rates in Hungary, which fell to 5.5% by year-end (July 2022 peak: 11%, YE 2022: 16.5%). MHH has since closed most of its money market positions, with a remaining balance of HUF 2.9bn at YE 2024 (YE 2023: HUF 7.9bn).

Despite the decline in financial income and revenue, debt protection remains strong, supported by low overall debt and stable operating performance. The issuer has not indicated any intention to increase debt facilities in the short to medium term.

The two outstanding bonds began to amortise in 2023, with yearly repayments of HUF 906m. The amortisation of both bonds contributes to maintaining debt protection beyond 2026, a period during which the predictability of top-line development becomes more uncertain due to limited visibility regarding the future order backlog. The company benefits from the longer maturity of its bonds, with an average cost of financing of 3.3%, much cheaper than the short-term bank facilities, which are based on the 1M-EURIBOR + spread of 1.75% - 2.00%.

MHH has three committed bank facilities as of the end of August 2025. If MHH's top-line continues to grow, it will likely need additional financing facilities, as seen in 2024, which would lead to an increase in interest payments. However, the additional increase in interest-bearing debt will be offset by the increase in EBITDA. As a result, we forecast that interest cover will remain comfortably around 9-10x going forward.

Good access to credit

Furthermore, major multinational corporations that are making substantial investments in Hungary are well-informed about the credit constraints in the country and the challenges faced by subcontractors in securing working capital facilities. Consequently, many companies are offering interest-free advance funding to prevent project delays. This proactive approach is aimed at preventing any project delays.

Leverage, as measured by Scope-adjusted debt/EBITDA, increased to 2.0x at YE 2024 (YE 2023: 1.7x), driven by lower operating profitability. Despite this, leverage is good.

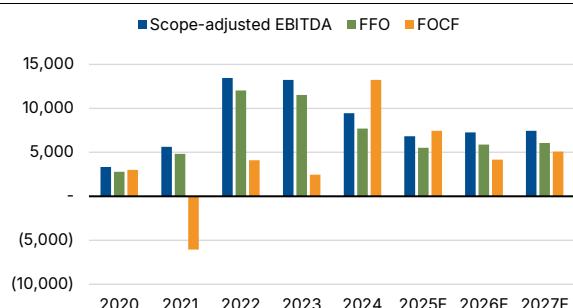
Leverage rises with forecasted EBITDA decline

Scope-adjusted EBITDA is forecasted to decline to around HUF 7.0bn in 2025, leading to a further increase in leverage. The sustainability of current metrics remains uncertain, given the cyclical nature of the industry and limited visibility of the order backlog beyond the next 12 months. EBITDA could range between HUF 7.0bn and HUF 7.5bn in 2026–2027.

While we do not expect a sharper decline in EBITDA, the risk remains material in case MHH fails to convert its strong pipeline of opportunities into contracted revenue. However, the company's long-standing client relationships and track record of delivering high-quality projects mitigate this risk. Hence, we project leverage to remain below 3x over the medium term.

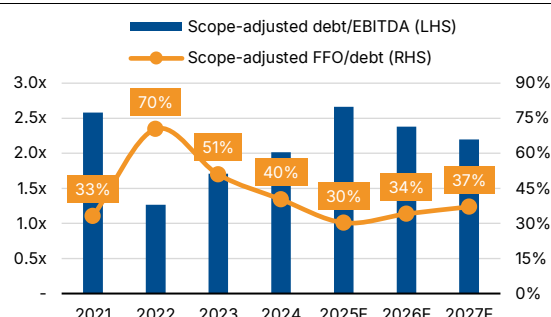
Although current financing needs are limited, securing additional large-scale projects may require further drawdowns on committed bank facilities. Any increase in debt would likely be offset by improved EBITDA. We expect Scope-adjusted FFO/debt to decline to around 30% in 2025 (2024: 40%), driven by lower operating profitability.

Figure 4: Cash flows (HUF m)



Sources: MHH, Scope estimates

Figure 5: Leverage



Sources: MHH, Scope estimates

FOCF has remained positive, though volatile, primarily due to fluctuations in working capital, as construction work is typically pre-financed by contractors. This volatility is likely to persist, driven by the concentration of large-scale projects and their associated working capital requirements. However, the risk is partially mitigated by the payment scheme enforced under Hungarian law, which protects contractors from non-payment or late payment on projects exceeding HUF 1.5bn.

Cash flow cover improving

FOCF improved significantly in 2024, supported by a HUF 7.8bn positive change in working capital, largely due to improved payment terms for receivables. Scope-adjusted FOCF/debt is expected to remain positive over the next 18 to 24 months, although subject to continued volatility.

While accounts receivable continues to represent nearly one-third of annual revenue, similar to previous years, the risk of payment delays remains manageable. Multinational developers often provide interest-free advances to subcontractors, helping to offset pre-financing pressures and ensure timely project execution.

We expect staff costs to remain stable, with no major changes planned for the workforce. Overhead staffing levels are constant, while project-based labor fluctuates with volume. Approximately 70% of contracts and supplier payments are denominated in euros, providing a natural hedge and contributing to financial stability.

MHH's liquidity is adequate, with cash sources (unrestricted cash of HUF 9.0bn as of end-2024) and forecasted FOCF of HUF 7.4bn in 2025 fully covering its short-term financial obligations, including short-term debt of HUF 3.0bn due in the 12 months to end-December 2025. The company has been able to sustain its entire operations from its FOCF, including interest payments, bond amortisation and distributing dividends to shareholders.

Adequate liquidity

Furthermore, MHH's liquidity position is further aided by a range of committed credit facilities. As of 30th June 2025, the company had committed credit facilities totaling HUF 7.7bn (EUR 19.4m), which remained completely undrawn.

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

	2025E	2026E	2027E
Unrestricted cash (t-1)	9,034	12,284	11,947
Open committed credit lines (t-1)	1,700	1,700	1,700
FOCF (t)	7,466	4,166	5,082
Short-term debt (t-1)	3,015	3,015	3,015
Liquidity	>200%	195%	>200%

Sources: MHH, Scope estimates

The senior unsecured bond (ISIN: HU0000360920) issued in November 2021 under the Hungarian Central Bank's bond scheme includes an accelerated repayment clause, requiring MHH to repay the outstanding nominal amount (HUF 5.7bn outstanding as H1 2025) if the bond rating deteriorates below B-. Considering the current debt rating, there is good headroom on the covenant, supported by the issuer's stable credit profile.

Additionally, MHH has a financial covenant that would trigger immediate bond repayment. During the entire term of the bonds, MHH needs to uphold the following: Net Debt / EBITDA (i) for any financial year prior to the 2026 financial year does not exceed 4.0x; and (ii) does not exceed 3.0x for fiscal year 2026 and any fiscal year thereafter. Based on our forecasts, with Scope-adjusted debt/EBITDA peaking at 2.4x in 2026, we expect full compliance with the financial covenants of both bonds.

9. Supplementary rating drivers: +/- 0 notches

The company's financial policy tolerates some foreign exchange risk. Most contracts with suppliers and customers are in euros, while the entire corporate financing structure was changed to Hungarian forint following the second bond issuance. A strengthening of the Hungarian forint against the euro is therefore likely to increase leverage and weaken debt protection. This additional risk is yet to be addressed but for now remains remote.

Financial policy: neutral

The restructuring of the ownership structure introduced a new share class entitled to a preferred EUR 0.3m in dividend payments as long as the company generates distributable profits. This is likely to burden the ability to deleverage when earnings are limited. The only shareholder of this new share class is the Unger family, which will reduce its share in MHH to 20% by end-2027.

MHH also introduced a policy allowing dividend payments only if net debt/EBITDA remains below 4x until 2026 or 3x thereafter. This is in line with covenants for the bonds issued under Hungary's Bond Funding for Growth Scheme. Furthermore, net debt/equity shall remain below 1x. MHH will

only pay more than HUF 2bn in dividends if all the above conditions are met and the credit rating would not be adversely impacted by such a dividend contribution.

10. Debt rating

In November 2020, MHH issued a HUF 8.0bn senior unsecured bond (ISIN: HU0000360094) through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds were used to replace short term debt. The bond has a tenor of 10 years and a fixed coupon of 3.0% and a fixed yearly bond repayment of HUF 0.5bn which commenced in November 2022, with a final balloon payment of HUF 4.0bn at maturity.

In November 2021, MHH issued a HUF 6.5bn senior unsecured bond (ISIN: HU0000360920) through the Hungarian Central Bank's Bond Funding for Growth Scheme. The bond proceeds were used to repay the Dorottya financing loan and provide working-capital credit. The bond has a tenor of 10 years and a fixed coupon of 3.5% and a fixed yearly bond repayment of HUF 0.4bn which commenced in November 2023, with a final balloon payment of HUF 3.2bn at maturity.

Our recovery analysis assumes a potential default in 2026 and is based on MHH's going concern status. As the company is a specialist contractor (façade cladding and roof covering), its enterprise value is linked to 'soft' assets (access to long-term customers and technical knowledge in engineering and manual labour) rather than 'hard' assets.

The estimated EBITDA at default is HUF 4.5bn, implying an enterprise value at default of HUF 13.5bn. We expect an 'above average' recovery for the company's senior unsecured debt (HUF 10.4bn in bonds at default, HUF 1.7bn in committed credit facilities, and HUF 0.3bn in guarantees), which allows for a one-notch uplift of the debt category rating above that of the issuer. However, due to the potential for a more volatile capital structure on the path to default, which could entail the introduction of secured debt with a higher ranking, the rating remains at the same level as that of the issuer resulting in the affirmation of the debt class rating at BB-.

Senior unsecured debt rated in line with issuer rating

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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