SCOPE Ratings

Masterplast Nyrt.

Hungary, Construction Materials

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	-0.6x	0.8x	3.1x	2.7x
Scope-adjusted debt/EBITDA	-69.8x	41.5x	7.5x	7.8x
Scope-adjusted funds from operations/debt	-6%	-1%	10%	8%
Scope-adjusted free operating cash flow/debt	6%	-18%	1%	-2%
Liquidity	147%	45%	19%	54%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Improved liquidity situation, with reduced reliance on short-term facilities being rolled over annually, and the capacity to manage bond amortisations ahead of schedule

The downside scenario for the ratings and Outlook:

- Unfavourable business developments that threaten banks' willingness to refinance and put additional strain on the company’s liquidity position

*All credit metrics refer to Scope-adjusted figures.

Issuer

CCC

Outlook

Stable

Senior unsecured debt

CCC

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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
• Established niche positioning in insulation systems within a fragmented market, combined with an established footprint in Eastern Europe through localised production and strategic partnerships • Policy tailwinds from EU energy-efficiency targets and Hungary's renovation programmes should support demand for Masterplast's core products • First-mover advantage in Hungary's HEM certificate trading, creating new revenue stream to support profitability and offer medium-term upside for cash flow generation (ESG factor) • Equity injection of EUR 15m in March 2025 provided partial debt repayment and reduced interest burden • Improving interest coverage, expected to rise above 2x, but remains vulnerable to refinancing at higher funding costs	• Inadequate liquidity with significant amount of short-term debt; reliance on bank finance being rolled over • Relatively small size limits economies of scale and ability to absorb shocks in a cyclical industry with intense competition from larger global players and a slow recovery in broader demand • EBITDA margins still modest compared to industry leaders despite recovery supported by cost optimisation and operational efficiency (EBITDA margins forecasted to stabilise at 5%-10%) • Break-even free operating cash flow (FOCF) until at least 2027, limiting organic deleveraging and leaving debt reduction reliant on external measures • Very high leverage persists (debt/EBITDA forecasted between 6-8x), well above pre-2023 levels, exposing the company to demand delays and cost inflation • High geographic concentration (around one third of revenue is generated in Hungary) exposes earnings to regional cyclicality and limited segmental breadth, given the discontinuation of the healthcare segment and the nascent nature of the modular homes segment

2. Rating Outlook

The Stable Outlook reflects our expectation that Masterplast's operations will stabilise, helping to improve credit metrics and address immediate negative rating pressure from weak liquidity. It also reflects moderate top-line growth of 4% annually between 2026 and 2027, with unchanged EBITDA margins of around 5%. This supports above-par interest coverage and debt/EBITDA of 6-8x. The Outlook also incorporates our expectation that maturing bank debt will be successfully rolled over or refinanced, based on the issuer's historical track record and recovering operations.

3. Corporate profile

Construction materials company

Masterplast Nyrt. was founded in 1997. Its main area of activity is the production and sale of building insulation materials and systems in the construction industry. Although Masterplast started as a wholesale distributor of construction materials, it began to manufacture its own construction materials in 2005 and now operates seven manufacturing plants. The company's share of self-manufactured products has increased from 30% in 2017-19 to around 65% by H1 2025. Masterplast benefits from a direct presence in 10 European countries (Hungary, Romania, Serbia, Ukraine, Poland, Slovakia, Croatia, North Macedonia, Germany and Italy), where its seven production plants operate through 16 subsidiaries. Its total geographical reach comprises more than 40 countries.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
11 NOV 2024	Affirmation	CCC/Stable
18 DEC 2024	Affirmation	CCC/Stable
15 NOV 2024	Under Review placement	CCC/Under review for a possible downgrade

5. Financial overview (financial data in EUR m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	11.2x	-0.6x	0.8x	3.1x	2.7x	2.0x
Debt/EBITDA	5.6x	-69.8x	41.5x	7.5x	7.8x	7.6x
Funds from operations/debt	13%	-6%	-1%	10%	8%	7%
Free operating cash flow/debt	-35%	6%	-18%	1%	-2%	3%
Liquidity	41%	147%	45%	19%	54%	36%
EBITDA						
Reported EBITDA[1]	20.6	(6.1)	2.2	8.1	9.5	9.6
Gains/losses on disposals	(1.3)	(0.0)	(0.1)	(0.1)	-	-
Change in provisions	0.0	0.1	0.1	(0.0)	-	-
Other items (incl. one-offs)	-	-	-	1.6	-	-
EBITDA	**16.2**	**(1.2)**	**1.9**	**9.6**	**9.5**	**9.6**
Funds from operations (FFO)						
EBITDA	16.2	(1.2)	1.9	9.6	9.5	9.6
less: interest	(1.5)	(2.0)	(2.5)	(3.1)	(3.5)	(4.7)
less: cash tax paid	(2.8)	(2.2)	(0.3)	0.5	0.2	0.4
Other non-operating charges before FFO	-	-	-	-	-	-
Funds from operations	**12.0**	**(5.4)**	**(0.9)**	**7.0**	**6.1**	**5.2**
Free operating cash flow (FOCF)						
Funds from operations	12.0	(5.4)	(0.9)	7.0	6.1	5.2
Change in working capital	(22.6)	22.5	(7.3)	(6.3)	(4.0)	(2.0)
Non-operating cash flow	3.0	2.0	(4.0)	1.6	-	-
less: capital expenditures (net)	(23.8)	(13.7)	(1.6)	(1.2)	(3.7)	(1.2)
less: lease amortisation	(0.2)	(0.6)	(0.3)	(0.3)	(0.1)	(0.1)
Free operating cash flow	**(31.6)**	**4.9**	**(14.1)**	**0.9**	**(1.7)**	**2.0**
Interest						
Cash interest paid per cash flow statement	2.5	3.3	3.2	3.3	3.7	4.9
less: interest received per cash flow statement	(1.1)	(1.3)	(0.8)	(0.3)	(0.2)	(0.2)
Interest	**1.5**	**2.0**	**2.5**	**3.1**	**3.5**	**4.7**
Debt						
Reported financial (senior) debt	84.9	82.2	77.2	70.9	71.9	70.9
less: cash and cash equivalents[2]	-	-	-	-	-	-
add: other debt-like items[3]	5.6	2.5	2.1	1.6	1.6	1.6
Debt	**90.5**	**84.7**	**79.3**	**72.5**	**73.5**	**72.5**

[1] Adjusted for impairments: 2022: EUR 3.1m; 2023: EUR (4.9m); 2024: EUR 0.3m

[2] Netting of cash: generally, this is only applicable to issuer ratings in the BB category or higher, and only if the cash is permanent and accessible.

[3] Derivative liabilities: cross-currency and interest rate swaps (CCIRS) linked to HUF-denominated bonds issued under the MNB Bond Funding for Growth Scheme.

6. Environmental, social and governance (ESG) profile[4]

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

Insulation products help cut emissions and energy costs

As a provider of insulation solutions for buildings, including thermal, façade and roof insulation, Masterplast is helping to reduce carbon emissions in the real estate sector, which is one of the largest emitters. Masterplast's products directly contribute to improving the energy efficiency and reducing the energy consumption of buildings (both existing and new). In this context, Masterplast is well positioned for growth, driven by solid demand for its products (insulation materials can save up to 50% of heating and cooling costs).

Masterplast has introduced a limited set of targets, which could be more ambitious: i) 'greening' the packaging of Masterplast products by 2023; ii) using 10% green electricity by 2025 (2024: over 10%); and iii) using 500 tonnes of waste plastic to produce XPS sheets by 2026 (2025: 200 tonnes). The company should prioritise reducing direct and indirect greenhouse gas emissions from its own operations, including manufacturing (at its large factory in Serbia), logistics, and distribution.

Hungarocell Green promotes recycling and cost savings

Masterplast has launched the Hungarocell Green Programme, a circular business model promoting waste recovery and recycling in Hungary. By spreading the programme across the Hungarian building materials industry through a network of collection points, the initiative has the potential to generate returns (e.g. reduced material costs) while having a positive impact. It will not only reduce waste but also address regulatory requirements and create cost savings for customers.

First-mover in HEM trading supports cash generation

Masterplast's cash generation prospects are supported by its first-mover advantage in Hungary's certified energy savings (HEM) market. The company's early entry into HEM trading enhances its profitability and creates a medium-term opportunity for increased free cash flow, driven by demand for ESG-related products.

Strengthened ESG commitment mitigates regulatory and supply risks

Overall, we believe that Masterplast is on the right path to becoming a leader in sustainability best practices in Hungary, provided that the company gradually strengthens its commitment going forward. This will mitigate ESG-related risks, such as regulatory changes or the availability of raw materials.

[4] 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

Industry risk: BB

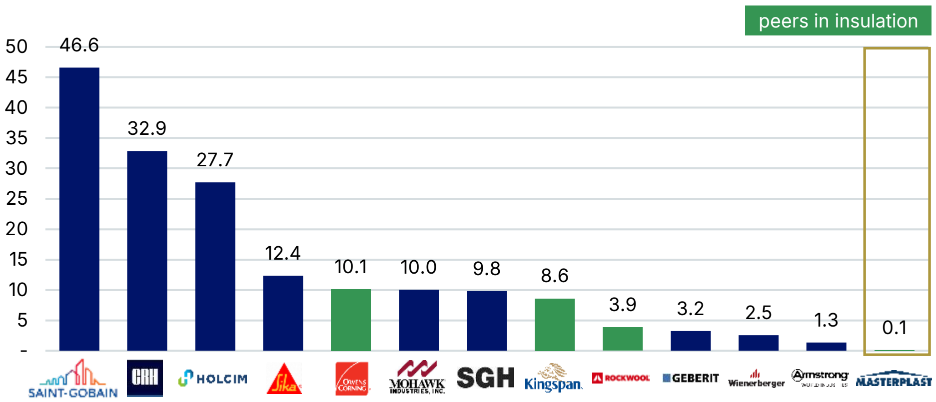
Masterplast's core business activities include the production and sale of building insulation materials and systems for the construction industry (BB industry risk; 89% of average revenue over the last three years). The production and sale of healthcare textiles and hygiene products (A industry risk; 11%) will be discontinued. We have therefore revised the industry risk profile applied to Masterplast to BB from BB+.

Small company but relatively strong market position in a fragmented market

Masterplast operates in a fragmented part of the construction materials industry, focusing primarily on insulation systems. Despite its relatively small size, the company has an established market position in Eastern Europe. It has demonstrated its capacity for growth and profitability by forming strategic partnerships, achieving vertical integration, and making targeted capital investments. Its revenue grew significantly between 2020 and 2022, thanks to efficient logistics and warehousing capabilities that ensured consistent product availability and delivery performance. However, Masterplast's limited size has constrained its ability to benefit from economies of scale or absorb economic shocks effectively.

Masterplast's revenue and EBITDA declined sharply in 2023, particularly in Hungary, its largest market, due to macroeconomic pressure, including high interest rates, and the expiration of government subsidies. However, government subsidies, home renovation programmes and the increase in funding for the new housing programme to HUF 300bn[5] before next year's election are likely to provide some medium-term stimulus to the real estate and construction industry in Masterplast's main market Hungary.

Figure 1: Peers in construction materials by revenues FY 2024 (EUR bn)



Sources: Public information, Scope

Masterplast's market position is supported by its presence in niche segments and its ability to serve regional demand through localised production[6]. However, its small size and limited diversification leave it vulnerable to competition, particularly from larger companies such as Owens Corning, Knauf Insulation and ROCKWOOL International. The company's recent investments in EPS and XPS facilities, as well as its expansion into stone and glass wool production, demonstrate a strategic effort to broaden its product base and strengthen its market position. Weak demand is affecting the new EPS production facility in Italy, which started operations in H1 2025, and the financing structure for the mineral wool project has not yet been finalised. However, the production of glass wool in a joint venture with the Polish company Selena

[5] (1) CSOK Plus and Falusi CSOK: the state gives money to families to help them buy, build or renovate homes based on how many children they have and where they live; (2) Programmes to help home improvement: Rural Renovation was launched on 1 January 2025 to start general renovation works, Energy Modernization started on 1 July 2024 and the terms were improved from 20 January 2025; (3) SZÉP Card: from 1 January 2025, up to 50% of the SZÉP Card balance can be used for home renovations; (4) A new programme to help fund housing developments: the budget was increased to HUF 300bn (approx. EUR 750m) in February 2025; (5) Opportunity to purchase real estate using voluntary pension fund assets; (6) Employer Housing Subsidy: employees can use money from their employer to pay back their housing loans; (7) Otthon Start Loan: first-time homebuyers can get a government-subsidised mortgage with a fixed interest rate of 3%.

[6] Masterplast holds the number two position in fiberglass mesh in Europe, the number three position in membrane and foils in Europe and is a regional leader in plastic insulation.

FM began in H2 2025 and is expected to capture a notable share of the Hungarian insulation market.

Healthcare segment has lost strategic relevance

The company's healthcare segment peaked during the Covid-19 pandemic, when it reached EUR 44m (23% of total revenues), but has subsequently declined significantly. As the healthcare segment struggled to achieve sustained market penetration, its strategic importance within Masterplast's overall business portfolio diminished. The issuer therefore decided to discontinue its operations in this area and sell its equipment. Thus, the segment no longer provides meaningful diversification or resilience, and its reduced relevance limits the company's ability to leverage it for competitive advantage or margin stability.

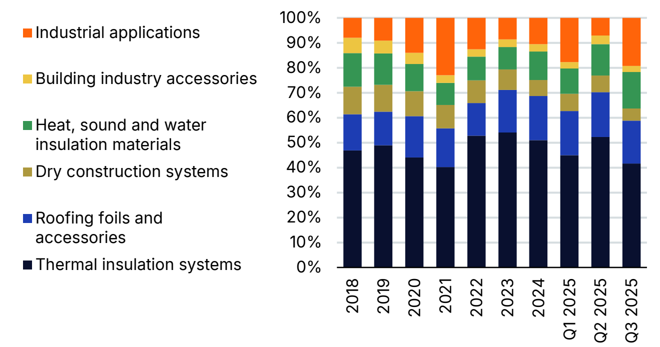
Modular homes business of minor importance

Masterplast has completed its investment in its modular homes business; however, mass production is not expected to begin before 2026. A potential agreement with an investment fund, which is set to be signed this year, could accelerate growth and enable the production of 200–300 modules under Hungary's housing development programme[3] next year.

Poor geographic diversification poses risk of sharp decline in revenue if demand weakens

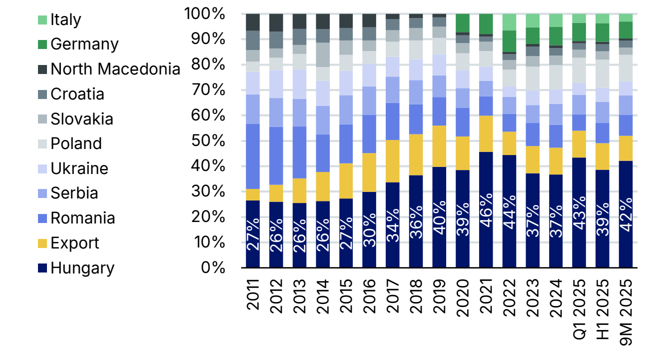
The company's geographic diversification remains poor, with a heavy concentration in Central and Eastern Europe (CEE). In 2024, Hungary accounted for 37% of revenue (EUR 50m). This regional concentration leaves Masterplast vulnerable to fluctuations in the construction cycle of a single economic area, which increases earnings volatility during economic downturns. Although the company has a presence across Europe (including export activities outside of CEE which contributed 23% of revenue in the last twelve months to end-September 2025), its presence in non-core markets lacks the necessary scale and depth to mitigate regional cyclicality. The commissioning of an EPS facility in Italy was a step towards broader diversification, but low demand has limited its utilisation and its impact on revenue remains marginal.

Figure 2: Sales by main product groups



Sources: Masterplast, Scope

Figure 3: Geographical diversification of revenues[7]



Sources: Masterplast, Scope

Healthcare segment declining from 2021 high

The company's entry into the healthcare equipment sector during the Covid-19 pandemic led to significant segment diversification. The acquisition of the Abschersleben facility in Germany enabled Masterplast to pivot into medical-grade nonwoven production, temporarily boosting profitability and reducing cyclicality. However, as pandemic-related demand subsided, management decided to discontinue operations.

The company remains heavily reliant on thermal insulation products, which dominate its revenue mix (around 45% for the last twelve months to end-September 2025) and are closely tied to the construction cycle. However, Masterplast is leveraging on its main product through its Hungarocell Renovation Programme launched in Q3 2024[8] to stimulate sales by capitalising on Hungary's Certified Energy Savings (HEM) system (with trading starting in Q3 2025). This made Masterplast the first company in the country to generate HEMs through thermal insulation. In September 2025

[7] Masterplast exports to the following countries:

[8] Masterplast supplies free insulation materials for the Hungarocell Renovation Program, aimed at improving energy efficiency in homes through facade and attic insulation. Certified Energy Savings units (HEMs) serve as proof of compliance with this obligation and function as tradable instruments, making the value of energy savings monetizable through their sale.

Masterplast signed a business agreement selling HEM units worth approximately HUF 18bn (roughly EUR 45m) to MVM Next Energy Trading Ltd. over the next 10 years[9]

Masterplast has also started producing modular buildings for residential and commercial use. While this segment offers potential for higher margins, its contribution to the company's finances is currently negligible due to limited demand, leading to plans for mass production being put on hold. The company's efforts to automate modular construction could improve scalability; however, the segment remains in its infancy and does not yet provide meaningful diversification.

Strong customer diversification

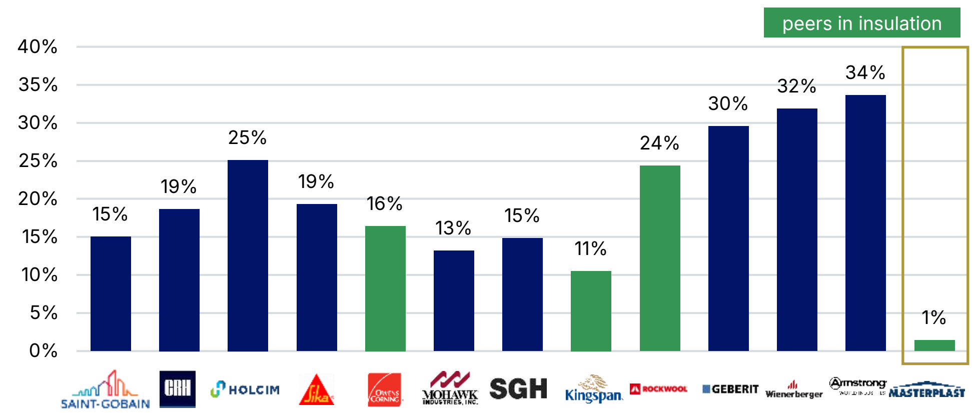
Masterplast exhibits better customer diversification compared to geographic or segment concentration. As of the end of 2024, its largest customer accounted for just 3.4% of total revenue, with the top three accounting for 8.6%, and the top ten for 18.9%. This diversified customer base reduces cluster risk and supports cash flow stability, particularly in the absence of long-term contracts.

Profitability margins slowly beginning to improve in 2024 and YTD

Following a challenging 2023, during which Masterplast reported negative EBITDA, the company showed early signs of recovery in 2024. The 2023 downturn was driven by significant cost pressures, particularly related to raw materials and energy, as well as a contraction in demand across its core markets. In response, Masterplast undertook a series of corrective measures, including suspending dividend payments, reducing its workforce by over 400 employees to date and scaling back production at several facilities, in order to better align output with market conditions.

These actions began to yield results in early 2024, driven by improved cost margins and a disciplined focus on operational efficiency, with the EBITDA margin reaching 1.4% (up 2.2pp YoY).

Figure 4: Peers in construction materials by EBITDA margin FY 2024



Sources: Public information, Scope

We anticipate further margin improvement in 2025 (LTM to end-September 2025: 2.8% / 9M: 5.3%) and 2026, contingent on increased sales volumes and enhanced production efficiencies allowing Masterplast to benefit from economies of scale. The company's profitability outlook is also supported by external policy developments, notably Hungary's Home Renovation Programme, the EU's REPowerEU initiative and the start of HEM certificate trading. Although the former has faced implementation challenges, its eventual uptake could stimulate domestic demand. The REPowerEU initiative is aimed at improving energy efficiency and reducing reliance on Russian energy. It is expected to drive long-term demand for insulation materials across Europe, which aligns well with Masterplast's core product offering.

Masterplast's margin volatility over the past two years reflects its exposure to cyclical demand and cost fluctuations. However, the recent stabilisation and projected improvement suggest that the company is regaining operational control. Although margins remain modest compared to those of industry leaders, the company's vertical integration and its strategic positioning in the field of energy-efficient building materials provide a solid basis for achieving sustainable margin levels of 5%-10% in the medium term.

[9] This deal supports Hungary's newly expanded Energy Efficiency Obligation Scheme (EEOS), which mandates energy traders to contribute to residential energy savings.

8. Financial risk profile: CCC

Liquidity is inadequate and dependent on external funding

Masterplast's liquidity is inadequate, with internal sources failing to cover short-term obligations. By the end of 2024, the company had EUR 27m in short-term debt to repay, including EUR 7.3m in bond repayments. This will be followed by a further EUR 11m in debt due in 2026, with similar bond amortisations. With FOCF expected to remain around break-even until 2027 and a cash balance at EUR 4m as at end-2024, Masterplast is highly dependent on external financing to meet its obligations. Refinancing through new bank facilities, such as the EUR 7.6m MFB loan in late 2024 and the EUR 2.5m OTP working capital facility in 2025, has provided temporary relief. At the same time, the company's ability to roll over debt annually remains a key risk, especially in the context of ongoing macroeconomic fragility. However, given Masterplast's track record of continued bank support, we expect short-term refinancing issues, including rolling over overdrafts and refinancing the EUR 10m working capital loan with Raiffeisen, to be addressed successfully. Bond amortisation will likely be covered by available cash (EUR 13m at the end of September 2025).

Asset sales and an equity injection provide some flexibility, but execution risk remains

Liquidity could be supported by EUR 10m in planned asset disposals. However, only EUR 1.0m (equipment) of transactions have been contractually secured. The EUR 15m equity injection from the MFB Equity Fund in March 2025 has helped stabilise short-term liquidity and reduce interest payments, but it does not materially change the company's dependence on refinancing. Liquidity will continue to put pressure on credit quality until Masterplast achieves a meaningful recovery in sales and operating cash flow.

Masterplast is required to meet a number of maintenance covenants relating to its interest-bearing liabilities. The main bond covenant restricts new debt issuances when the ratio of net debt/EBITDA is greater than 3.5x. Due to negative EBITDA in 2023, this covenant had to be waived to permit the issuance of the EUR 7.6m MFB loan, which was used to finance the bond amortisation in December 2024. The bondholders provided this waiver after Masterplast provided details of its financial situation and the measures it is taking to return to profitability in 2024/25. However, as the company's EBITDA has not recovered as quickly as anticipated, Masterplast required an additional waiver to remain compliant with this covenant for the new EUR 2.5m working capital facility signed in September 2025.

Masterplast's bond covenants do not include an accelerated repayment clause.

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

	2025E	2026E	2027E
Unrestricted cash (t-1)	4.4	7.2	6.4
Open committed credit lines (t-1)	0.0	0.0	0.0
FOCF (t)	0.9	(1.7)	2.0
Short-term debt (t-1)	27.2	11.5	23.0
Liquidity	**19%**	**54%**	**36%**

Sources: Masterplast, Scope estimates

Break-even FOCF limits room for organic deleveraging

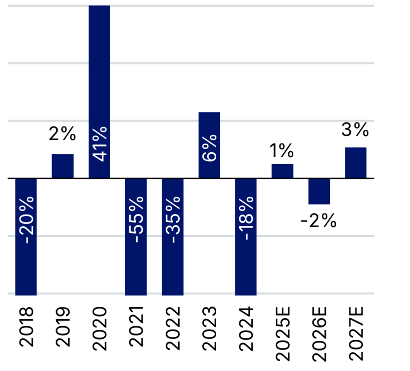
Masterplast's FOCF was negative in 2024, primarily due to substantial working capital outflows, inventory adjustments, restructuring costs and continued weak demand. Despite a sharp reduction in capital expenditure since late 2023, cash generation has not yet recovered, reflecting the company's strong reliance on top-line growth for internal funding. Cost-cutting initiatives and net working capital optimisation measures have largely been exhausted, leaving limited scope for further structural improvements.

FOCF is forecast to break even in 2025, supported by a strong top-line recovery in Q3. However, it is unlikely to exceed this level within the next 12–18 months. This is because: i) renewed investment activity is expected in 2026, including the planned financial support for the PIMCO glass wool joint venture in Szerencs, Hungary, to support market share gains and increase capacity utilisation and ii) there is limited visibility on a broader-scale recovery in demand.

Cash flow outlook tied to market recovery and policy support

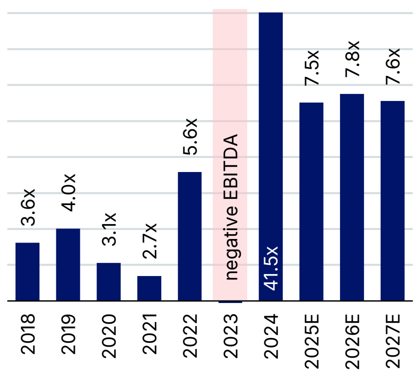
The company's ability to generate sustainable positive FOCF remains closely linked to revenue growth in its core business and, to an increasing extent, to sales of HEM energy certificates through CEEGEX and related products, which could benefit from EU energy efficiency targets and associated renovation programmes. The EU has reaffirmed its binding goal to reduce final energy consumption by 11.7% by 2030[10], with building renovation forming a central part of its strategy. National subsidy schemes, such as Hungary's revamped programmes and EU-wide Renovation Wave initiatives, are expected to accelerate from 2026 onwards. However, implementation delays and political headwinds in some member states have created uncertainty around the timing and scale of a recovery in demand. Masterplast is well positioned to benefit from these trends, given its portfolio of membranes, foils, and insulation materials. Nevertheless, break-even FOCF will continue to constrain deleveraging capacity until visibility on policy execution improves and sales rebound. The planned divestment of the issuer's stake in the stone wool joint venture with Market Építő Zrt. could provide some liquidity relief to accelerate deleveraging, but no binding agreement has yet been signed.

Figure 5: FOCF/debt



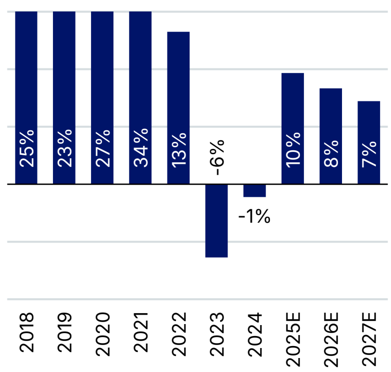
Sources: Masterplast, Scope estimates

Figure 6: Debt/EBITDA



Sources: Masterplast, Scope estimates

Figure 7: Funds from operations/debt



Sources: Masterplast, Scope estimates

Leverage will remain elevated despite gradual improvement

Masterplast's leverage remains very high, reflecting the severe EBITDA contraction in 2023 and the subsequent gradual recovery. Debt/EBITDA stood at an extremely high 41x in 2024 (LTM to end-September 2025: 17x), with funds from operations (FFO)/debt remaining negative at -1% (-13%), highlighting the company's limited ability to reduce its debt through internal cash flow. While we expect some improvement for 2025 and beyond, this will primarily be driven by a recovery in profitability and modest top-line growth rather than by significant debt reduction. The EUR 15m capital increase executed by the MFB Equity Fund in March 2025 has provided some relief, enabling the partial repayment of interest-bearing debt and reducing financing costs. However, overall indebtedness remains high.

Gradual deleveraging hinges on EBITDA recovery

We forecast that debt/EBITDA will improve to around 6x–8x by 2026, with FFO/debt rising to 5%–10%, supported by higher absolute EBITDA and lower interest expenses. However, deleveraging will be limited by break-even FOCF until at least 2027. This restricts the company's ability to reduce debt organically. Consequently, leverage metrics will remain well above pre-2023 levels (2.5x–3.5x debt/EBITDA) for the foreseeable future, leaving Masterplast vulnerable to delays in demand recovery or further cost inflation.

Interest coverage improving, but still constrained

Despite a notable improvement in 2024, Masterplast's debt protection metrics remain weak. EBITDA interest coverage increased to 0.8x in 2024, up from a negative 0.6x in 2023, reflecting the return to positive EBITDA. However, this still indicates the company's limited capacity to service interest from operating cash flow. We anticipate a more substantial improvement in 2025, with interest coverage surpassing 2.0x (LTM end-September 2025: 2.0x). This is supported by the gradual increase in EBITDA and the fall in absolute interest costs, following the debt reduction in 2025.

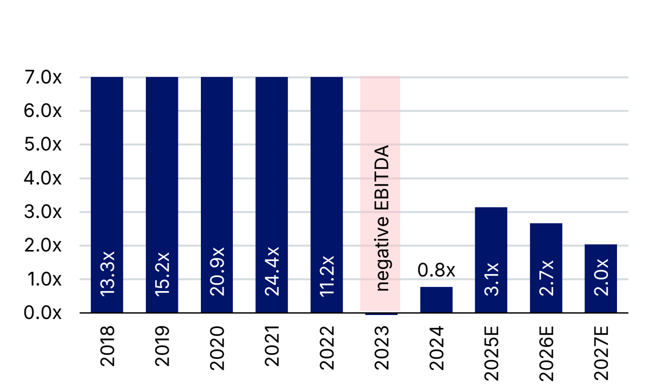
Funding costs are rising due to a reduction in fixed-rate debt exposure

The company will probably need to refinance upcoming amortisations in 2026 and 2027 with new bank facilities carrying floating interest rates. Consequently, the proportion of floating-rate debt is projected to increase (end-2024: 35%). This shift will offset the benefits of lower interest payments achieved through recent debt reduction, particularly since the new facilities will also

[10] 15 July 2025 – EU Directorate-General for Energy In focus: Reaching the EU's energy efficiency target

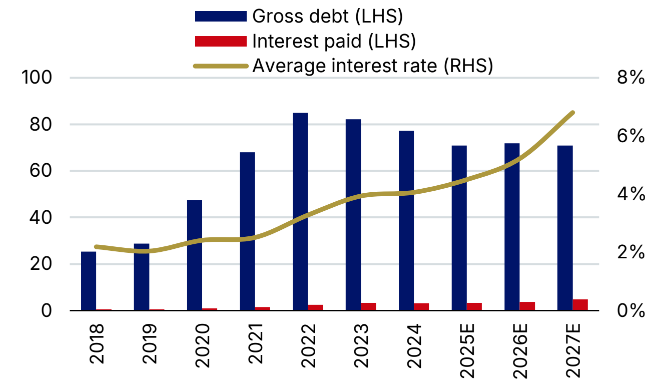
replace bonds issued under the MNB Funding for Growth Scheme, which currently carry low fixed coupons of 2.0%–2.1%.

Figure 8: EBITDA interest cover



Sources: Masterplast, Scope estimates

Figure 9: Interest paid, gross debt (EUR m); wa cost of debt (%)



Sources: Masterplast, Scope estimates

Although a forecasted decline in EURIBOR may mitigate some of the impact, interest coverage will remain vulnerable to fluctuations in market rates and the pace of EBITDA recovery. Consequently, the weighted average cost of debt is expected to rise to approximately 7% in the coming years from 4.1% in 2024. This reflects the transition to higher-cost floating-rate debt, as well as the normalisation of the European interest rate environment, which has stabilised at levels roughly three times higher than before monetary tightening. Additionally, the yield curve is expected to return to its usual upward-sloping shape, which will further influence borrowing costs.

9. Supplementary rating drivers: +/- 0 notches

Supplementary rating drivers have no impact on the issuer rating.

No impact from supplementary rating drivers

10. Debt rating

Senior unsecured debt rating: CCC

Masterplast has issued three senior unsecured bonds under the Hungarian Central Bank's Bond Funding for Growth Scheme. The first, a HUF 6bn bond (ISIN: HU0000359369), was issued in December 2019 and was primarily used to refinance short-term debt. It carries a fixed coupon of 2.00%, has a seven-year term and will be repaid in four equal annual instalments starting in December 2023. The second bond, also for HUF 6bn (ISIN: HU0000360219), was issued in December 2020 to refinance existing debt and fund capital expenditure and acquisitions. It has a seven-year term, a fixed coupon of 2.10%, and a similar repayment structure beginning in December 2024. The third bond, issued in August 2021 for HUF 9bn (ISIN: HU0000360748), financed further expansion projects. It matures in 10 years, carries a fixed coupon of 2.90%, and amortisation begins in August 2027 with four instalments, including a 50% balloon payment at maturity.

Our recovery analysis assumes a hypothetical default in 2026 under a liquidation scenario. The analysis factors in EUR 37.4m of senior secured bank debt (with overdrafts fully drawn) and EUR 34.5m of senior unsecured debt. The recovery prospects for senior unsecured creditors are 'average', which results in the senior unsecured debt category rating of CCC in line with that of the issuer. This reflects the company's limited capacity to reduce its debt.

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