SCOPE | Ratings

Inotal Zrt.

Hungary, Metals and Mining

Issuer
B+
Outlook
Stable
Senior unsecured debt
B+

Lead Analyst/s
Istvan Braun
+49 30 27891-378
i.braun@scoperatings.com

Related methodologies
General Corporate Rating Methodology, Feb 2025
Metals and Mining Rating Methodology, Oct 2025

Table of content

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		**B+**
Supplementary rating drivers		
Financial policy	+/-0 notches	+/-0 notches
Parent/government support	+/-0 notches	
Governance & structure	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**B+**

Key metrics

			Scope estimates	
Scope credit ratios	**2023**	**2024**	**2025 E**	**2026 E**
Scope-adjusted EBITDA interest cover	>20x	Net interest income	14.7x	17.4x
Scope-adjusted debt/EBITDA	1.8x	1.9x	2.3x	2.5x
Scope-adjusted funds from operations/debt	60%	50%	38%	36%
Scope-adjusted free operating cash flow/debt	-18%	-27%	-4%	10%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenario for the rating and Outlook:

- Free operating cash flow cover moving sustainably into positive territory after the current investment cycle, while keeping debt/EBITDA below 3.0x

The downside scenario for the rating and Outlook:

- Debt/EBITDA moving above 4.0x

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Good financial risk profile, driven by improved operating profitability • Well-diversified customer and product portfolio, mitigating the risk related to lower end-market demand • Ongoing investments expected to reduce EBITDA volatility and improve medium-term visibility on margins	• Small niche player with limited economies of scale • Relatively low value-added products, with strong competition from Middle Eastern and Chinese manufacturers • Negative free operating cash-flow generation forecasted till 2026 • Refinancing risk occurring in 2027

2. Rating Outlook

The **Stable** Outlook reflects our assumption that Inotal can maintain its favorable financial risk profile, with debt/EBITDA of around 2.5x despite the increasing debt levels, while EBITDA generation continue to be marginally impacted by softening end-market demand. Our financial forecast assumes a period of significant investment between 2024 and 2027, with a net capital expenditure of EUR 20m. In addition, our base case includes the successful refinancing of the senior unsecured bond maturing in 2027.

3. Corporate profile

Privately owned Hungarian aluminium processor

Inotal Zrt. is a private Hungarian aluminium processor, slag recycler and trader. Its key products are wire rod, slugs, strips, and drawn wire. Wire rod is primarily sold to the electrical industry, slugs to the cosmetics and food industries, strips to the building and transformer industries, and drawn wire to the lightning conductor, electrical and food industries. Over 70% of production is exported to nearby countries. Inotal employs more than 300 people and operates three sites in Hungary. It has been fully owned by financial investor KETER Investments Zrt. since May 2023.

In 2024, Inotal became the majority owner of Martin Metals, increasing its shareholding to 51% from 40%. Martin Metals is a scrap metal trader and a strategic supplier to Inotal, procuring the majority of Inotal's aluminium scrap. Martin Metals' business is highly integrated with Inotal's and operates from shared premises.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
27 Nov 2025	Affirmation	B+/Stable
27 Nov 2024	Outlook change	B+/Stable
07 Dec 2023	Outlook change	B+/Positive

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

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Scope-adjusted EBITDA interest cover	22.8x	>20x	Net interest income	14.7x	17.4x	9.1x
Scope-adjusted debt/EBITDA	2.3x	1.8x	1.9x	2.3x	2.5x	2.4x
Scope-adjusted funds from operations/debt	42%	60%	50%	38%	36%	36%
Scope-adjusted free operating cash flow/debt	-12%	-18%	-27%	-4%	10%	8%
Liquidity	No ST Debt	>200%	>200%	>200%	>200%	165%
Scope-adjusted EBITDA						
EBITDA	6,284	7,402	8,230	7,331	7,243	7,156
Other items	405	(610)	-	-	-	-
Scope-adjusted EBITDA	**6,689**	**7,402**	**7,620**	**7,331**	**7,243**	**7,156**
Scope-adjusted Funds from operations						
Scope-adjusted EBITDA	6,689	7,402	7,620	7,331	7,243	7,156
less: Scope-adjusted interest	(293)	(29)	55	(500)	(417)	(788)
less: cash tax paid	-	(115)	(9)	(211)	(193)	(156)
Other non-operating charges before FFO	-	983	(187)	-	-	-
Scope-adjusted Funds from operations (FFO)	**6,395**	**8,240**	**7,479**	**6,620**	**6,633**	**6,212**
Scope-adjusted Free operating cash flow						
Scope-adjusted Funds from operations	6,395	8,240	7,479	6,620	6,633	6,212
Change in working capital	(6,307)	(2,409)	(6,012)	(601)	22	22
Non-operating cash flow	150	1,656	198	-	-	-
less: capital expenditures (net)	(2,060)	(9,972)	(5,595)	(6,725)	(4,822)	(4,790)
Scope-adjusted Free operating cash flow (FOCF)	**(1,822)**	**(2,485)**	**(3,929)**	**(706)**	**1,833**	**1,444**
Scope-adjusted Net cash interest paid						
Net cash interest per cash flow statement	293	29	(55)	500	417	788
Change in other items	-	-	-	-	-	-
Scope-adjusted Net cash interest paid	**293**	**29**	**(55)**	**500**	**417**	**788**
Scope-adjusted debt						
Reported financial (senior) debt	15,320	13,689	14,819	17,209	18,229	17,279
less: cash and cash equivalents[1]	NA	NA	NA	NA	NA	NA
add: other debt-like items	-	-	-	-	-	-
Scope-adjusted debt (SaD)	**15,320**	**13,689**	**14,819**	**17,209**	**18,229**	**17,279**

[1] No cash netting, as issuer rating is in the B category

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

Credit neutral ESG factors

About 20% of Inotal's production is based on recycled aluminium, which is mostly sourced from related company Martin Metals Kft. Recycled aluminium exhibits minimal debris and quality loss and requires about 5% of the energy needed to produce primary aluminum.

[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

Industry risk profile: BB

We classify Inotal as a metals and mining company. We rate this industry BB based on high cyclicality, medium substitution risk and high barriers to entry. Given the highly commoditised nature of the industry, all market players are price-takers as metal prices depend on global demand.

Since the beginning of 2021, the price of aluminium has shown increased volatility. Prices reached a peak of approximately USD 4,000/tonne in March 2022, driven by financial sanctions imposed on Russia, which heightened concerns about the reliability of supplies from major Russian producers. From the second quarter of 2022 onwards, market prices have exhibited a gradual decline, largely driven by concerns about recession and lower demand. In 2023, 2024 and first three quarters of 2025 the volatility was more moderate, with prices generally moving within the range of USD 2,000-3,000/tonne.

Inotal's business risk profile is constrained by its relatively small size in global terms and its concentration on lower value-added, commodity products. The business risk profile is supported by good geographical, customer and end-market diversification; direct customer relationships; access to scrap through the related company Martin Metals and its slag recycling operation; and effective management of metals price risk through customer and supplier contracts and hedging. Furthermore, there has been an improvement in operating profitability, with performance exceeding historical averages over the past two years.

Limited company size in a European context, with sold volumes stabilising

Inotal is the third largest aluminium processor in Hungary after Arconic and Norsk Hydro. With total production of 31,800 tonnes in 2024, Inotal is a small player by international standards. Regional peers generally produce more than 100,000 tonnes yearly, and global leaders generally produce more than 1 million tonnes yearly. Constant changes in the cost of aluminium, alum earth and energy prices have significantly restructured the market. In Europe, major aluminium producers and manufacturers of aluminium-based semi-finished goods have reduced or interrupted their output to minimise losses.

Inotal's decision to suspend production of one of its products (aluminium slugs) in 2023 resulted in a reduction in yearly revenue by approximately 6,000 tonnes compared to the 2022 output. In 2024 sold volumes remained relatively flat (-1.7% year on year). We forecast revenues to remain relatively unchanged in the upcoming years. We highlight the regulatory changes, specifically the new EU regulations which require that at least 51% of raw materials be sourced from the EU for aluminium products to carry the "Made in EU" label. This requirement provides Inotal with a competitive advantage over Middle Eastern and Chinese competitors.

Well-diversified customer portfolio

Production is focused on wire rod, strips, drawn wire and granules. End markets are diverse and include the electrical, construction, food and steel industries. The issuer operates three furnaces (10, 15 and 25 tonnes), with production focusing on markets within a 1,500 km radius of Hungary. Its most important export markets in 2024 included Austria, Bosnia, Romania and Germany. Sales are almost exclusively direct sales to end customers. The customer portfolio is well diversified, with top 5 customers responsible for 32% of the revenues in 2024. Products are relatively low value added, although the issuer is increasingly focusing on alloys (around 60% of production), which generate higher margins and can be produced with a relatively high ratio of scrap (38%). External scrap is sourced through Inotal's own slag recycling operation and associated aluminium recycler Martin Metals.

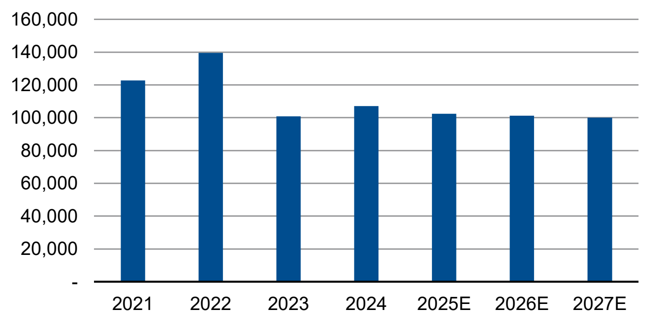
Stabilisation of operating profitability after elimination of loss-making business line

Aluminium processing is a margin business where price risk is broadly eliminated through contracts with suppliers and buyers as well as through metal price hedging. Inotal's EBITDA margin has ranged between 3% and 5% prior to 2022, in line with small-to-medium sized peers focused on lower value-added products.

Following the elimination of its loss-making slug manufacturing in 2023, the issuer's Scope-adjusted EBITDA margin has improved significantly, above 7.0%, exceeding historical averages. Additionally, the operating profitability is driven by the favorable development of energy prices. The primary and scrap aluminium procured is smelted before the processing of semi-finished products. This is a highly energy-intensive process and a major factor influencing operating profitability. In 2024 EBITDA margin stabilised at 7.6%, a similar level to the previous year (2023: 7.3%). The primary and scrap aluminium procured is smelted before the processing of semi-finished products, a highly energy-intensive process and a major factor in operating profitability. Energy prices throughout 2024 remained relatively unchanged, resulting in reduced margin volatility compared to the previous years. We highlight, however, the potential swings in the price of input materials, which are effected by the changes in the geopolitical environment.

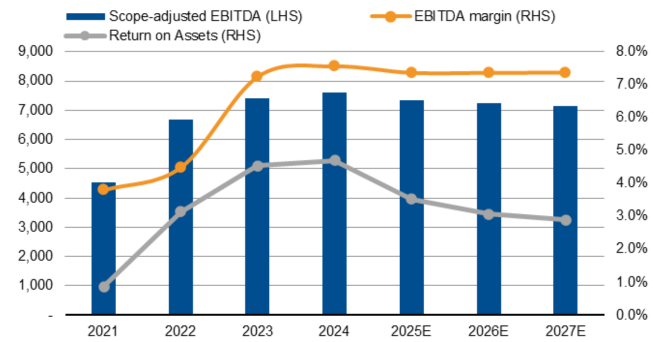
For 2025 and beyond, we forecast EBITDA levels to remain consistently above 7%, driven by gradually improving demand conditions and the completion of the currently ongoing CAPEX programme.

Figure 1: Figure 1:Development of revenues, including forecasts (EUR '000s)



Source: Inotal, Scope estimates

Figure 2: Scope-adjusted EBITDA (EUR '000s), EBITDA margin (%) and Return on Assets (%)



Source: Inotal, Scope estimates

8. Financial risk profile: BBB-

Inotal's financial risk profile reflects good leverage metrics and strong interest cover, while being constrained by the negative cash flow cover.   Note that in its final ratings construction, our B+ Issuer Rating on Inotal reflects our view that the company's favorable financial risk profile attributes are significantly outweighed by business risk profile constraints.

Financial risk profile constrained by the negative cash flow cover

Inotal has embarked on multiple significant investment projects in 2024 and 2025: i) the development of a solar park with a capacity of 6 MW, which will cover approximately 30% of the issuer's energy consumption; ii) an energy storage facility with a capacity of 20 MW/h as an extension to the solar park. Gross capex for these two projects amounts to EUR 6.7m in 2025, EUR 8.4m in 2026 and EUR 4.8m in 2027. While these investments are expected to reduce the issuer's exposure to energy price volatility and improve medium-term profitability visibility, the capex-heavy business cycle results in negative free operating cash flow until 2026. We note that these investments are partially financed by government subsidies (EUR 3.6m expected to be received in 2026). Additionally, the investments are to be covered by dedicated long-term investment credits, using only minimal own sources. We highlight the execution risk related to the aggressive investment strategy could negatively impact free operating cash flow generation beyond our current base case.

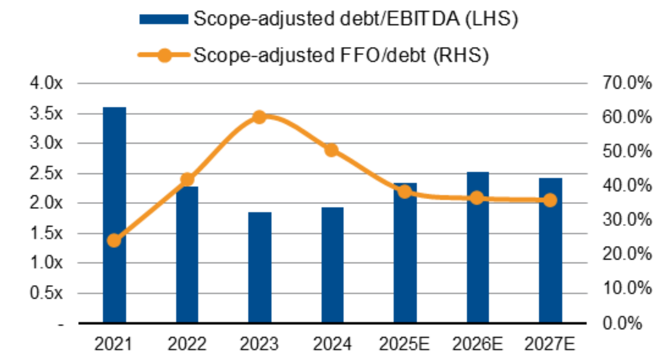
Modest leverage

The leverage, as measured by debt/EBITDA has shown rapid improvement in previous years and is expected to stay close to 2.5x in the medium term. The debt/EBITDA ratio benefits from: i) debt amortisation, with 12.5% of the MNB bond's face value and 10% of the investment loan repaid annually; and ii) strong profitability, with the EBITDA expected to remain around EUR 7.2m on a sustained basis. We expect gross debt to remain relatively stagnant (around EUR 17.0- 18.0m), as management plans to immediately refinance the amortization of the bond with long-term working capital facilities. We highlight that the development of leverage is highly dependent on operating profitability (which is deemed relatively volatile, due to potential shifts in input prices). We highlight the fact that our current base case assumes the full refinancing of the bond balloon in 2027 (EUR 7.5m). Considering the high cash level forecasted for 2027, partial refinancing is also deemed possible without any deterioration of the issuer`s liquidity profile.

Robust interest coverage, benefitting from interest income

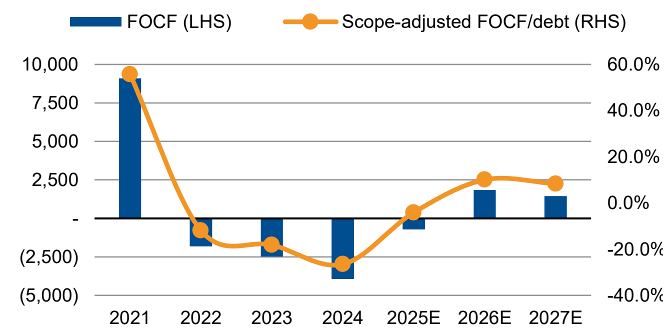
EBITDA interest coverage remains robust, with significant interest income realized through FX swap of the bond coupon and short-term deposit of cash in recent years (decrease in interest income assumed beyond). As the interest of the financial debt is moderate (3.2%) we expect gradual deterioration of the metric below 10.0x till 2027, driven by: i) the refinancing of the bond with new loans, increasing average cost of debt from 4% to 5.5%; ii) the sustained lower interest income.

Figure 3: Leverage metrics (Scope-adjusted debt/EBITDA and Scope-adjusted FFO/debt



Source: Inotal, Scope (estimates)

Figure 4: Development of free operating cash flow (EUR 000), and Scope-adjusted FOCF/debt (%)



Source: Inotal, Scope (estimates)

Adequate liquidity

Liquidity is adequate, as sources (EUR 3.2m free cash as of YE 2024) fully cover uses (short term debt of EUR 2.3m and negative free operating cash flow of EUR 0.8m). We highlight the risk of an unsuccessful refinancing of the upcoming debt maturities, which, combined with the continued externally financed CAPEX programme, could lead to a significant deterioration in the issuer's liquidity profile. However, we consider this liquidity risk to be manageable for the time being, given the issuer's relatively low leverage, and the company's proven capacity to refinance debt amortization requirements as needed, most recently in 2025. Additionally, Inotal has a factoring line of EUR 7m, contracted in 2023. This factoring line might serve as an additional buffer for financing potential higher working capital needs.

We note that Inotal'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 (EUR 11.7m as of November 2025) 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 EUR `000)

	2024	2025E	2026E
Unrestricted cash (t-1)	7,116	3,183	4,868
Open committed factoring lines (t-1)	7000	5000	5000
Free operating cash flow (t)	(3,929)	(706)	1,833
Short-term debt (t-1)	1,955	2,273	3,422
Liquidity	**>200%**	**>200%**	**>200%**

Source: Inotal, Scope (estimates)

9. Supplementary rating drivers: +/- 0 notches

Supplementary rating drivers are deemed credit-neutral.

10. Debt rating

Senior unsecured debt rating: B+

In September 2020, Inotal issued a HUF 6bn senior unsecured bond (ISIN: HU0000359948) through the Hungarian central bank's Bond Funding for Growth scheme. The bond proceeds have been used to refinance existing third-party debt. The bond has a tenor of seven years and a fixed coupon of 3.2%. Bond repayment is in five tranches: 12.5% of the face value payable yearly between 2023 and 2026, and 50% at maturity in 2027.

We have rated the senior unsecured debt issued by Inotal at B+, the same level as the issuer rating. This reflects an 'above average' recovery for senior unsecured debt holders in a liquidation scenario. Although the recovery rate allows for more than one notch of uplift compared to the issuer rating, we have decided to keep the debt rating at the level of the issuer due to potential volatility in the capital structure on the path to default, and the issuer's ability to raise additional debt ranking above the senior unsecured debt.

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

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer