30/09/2026 - Scope Ratings GmbH

Scope downgrades Hunland-Trade to B, assigns Negative Outlook

The rating action reflects the weaker business and financial risk profiles under Scope's updated General Corporate Rating Methodology, while elevated operating risks increase pressure on operating profitability.

The latest information on the rating, including rating reports and related methodologies, is available on this LINK.

Rating action

Scope Ratings GmbH (Scope) has downgraded the issuer rating of Hungarian agribusiness company Hunland-Trade Kft. to B from BB- and assigned a Negative Outlook. Scope has also downgraded the senior unsecured guaranteed bond (ISIN: HU0000360680) to B from BB-. The rating action resolves the under-review status for a possible downgrade following the implementation of Scope's updated General Corporate

Rating Methodology.

The full list of rating actions and rated entities is at the end of this rating action release.

Key rating drivers

Business Risk Profile: B (revised from B+). Hunland's business risk profile has been revised to B from B+. While the company retains a leading position in Hungarian livestock exports and benefits from broad geographic reach, these strengths are increasingly outweighed by structurally weak profitability, high product concentration and heightened exposure to external shocks. Hunland continues to generate around 91% of revenues from livestock-related activities, leaving its earnings exposed to animal disease outbreaks, trade restrictions and fluctuations in end-market demand.

Operating profitability remains the principal constraint on the business risk profile. Scope-adjusted EBITDA margin* declined to around 1.6% in 2025 from 1.9% in 2024 and remains materially below that of most agribusiness peers. Scope expects profitability to remain around 1.5% over the forecast horizon. Margin pressure is expected to persist due to the appreciation of the Hungarian forint against the euro and US dollar, as revenue generation remains primarily foreign currency denominated while a significant portion of wages and overhead costs are incurred in HUF.

The operating environment has become more challenging. Hungary reported its first African swine fever outbreak in domestic pigs during 2026, highlighting continued biological and trade-related risks for livestock exporters. In addition, geopolitical tensions in several export markets increase the risk of weaker demand and disruptions to trade flows.

Financial Risk Profile: B (revised from BB). The revision of the financial risk profile reflects materially weaker leverage and cash-flow protection measures than previously anticipated. Debt/EBITDA increased to 6.4x in 2025 (2024: 4.7x) and is forecasted to rise further to above 7.0x in 2026, remaining at elevated levels in the medium term. The metric is materially weaker due to deterioration of the EBITDA margin, in addition to Scope's decision not to apply cash netting at the current issuer rating level (B).

Refinancing risk has also increased in importance. Bond amortisation begins in 2026, and Scope's base case assumes refinancing through long-term bank debt. While access to bank financing is deemed available, refinancing is expected to occur at materially higher funding costs than the original bond financing, potentially adding further pressure to earnings and cash generation.

Volatile cash-flow generation remains a key constraint on the rating. Free operating cash flow (FOCF)/debt deteriorated to -6% in 2025. Although a recovery to around 11% is forecast for 2026, cash generation remains highly dependent on working capital movements and therefore lacks predictability. This limits Hunland's ability to deleverage through internally generated cash flow.

Interest cover remains a relative strength due to the favourable effect of the cross-currency swap associated with the MNB bond. However, Scope places limited weight on this metric as it is considered less representative of Hunland's underlying credit quality than leverage and cash-flow generation. Furthermore, this benefit is expected to decline as bond amortisation is progressively refinanced with bank debt.

Preliminary Credit Assessment: B. The B business risk profile and B financial risk profile result in a B

Preliminary Credit Assessment. The financial risk profile is viewed as the principal constraint on credit quality, reflecting elevated leverage, volatile cash generation and limited deleveraging capacity.

Supplementary Rating Drivers: credit-neutral.

Liquidity: Adequate. Liquidity remains adequate at present, but refinancing risk has increased materially. Liquidity sources include EUR 18.1m of freely available cash at year-end 2025 and EUR 5.6m of free operating cash flow forecast for 2026, fully covering EUR 6.4m of short-term debt at year-end 2025. Hunland also has a EUR 5m working-capital facility, which has historically been largely undrawn.

Scope highlights that Hunland Trade's senior unsecured bond issued under the Hungarian National Bank's Bond Funding for Growth Scheme has a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 24.2bn) if the debt rating of the bond stays below B+ for more than two years (grace period) or drops below B- (accelerated repayment within 30 days). Such a development could adversely affect the company's liquidity profile. Following today's downgrade of the senior unsecured (guaranteed) bond rating to B, Hunland has entered the grace period. This means the company must ensure the debt rating returns to B+ before the grace period ends on 30 September 2028, unless the rating falls below B-. If the debt rating does not return to B+ within the grace period, the company could face severe liquidity constraints and enter a default, unless it obtains refinancing that covers the early repayment of the outstanding bond amount or it proactively obtains an investor waiver related to the repayment acceleration.

Scope highlights the complex group structure and frequent related-party transactions and intra-group financing with companies outside of the rated entity's scope of activities, e.g. with sister companies

operating under the same roof (ESG factor: credit-negative).

External Rating Drivers: credit-neutral.

One or more key drivers of the credit rating action are considered an ESG factor.

Outlook and rating sensitivities

The **Negative Outlook** reflects the risk that Hunland's credit metrics remain under pressure amid a more challenging operating environment, continued margin pressure, elevated disease-related and geopolitical risks, and limited visibility on current performance. Scope expects leverage to remain elevated, with debt/EBITDA above 7.0x in the near term, while volatile free operating cash flow constrains deleveraging. The Outlook also incorporates risks associated with the refinancing of bond amortisation through higher-cost bank funding.

The **upside scenario** for the ratings and Outlook is:

1. Debt/EBITDA below 7.0x on a sustained basis.

The **downside scenario** for the ratings is:

1. Deterioration of the liquidity profile, including failure to address upcoming refinancing requirements.

Debt rating

Scope has downgraded the rating on Hunland's senior unsecured guaranteed bond (ISIN: HU0000360680) to B from BB-, in line with the issuer rating. The bond has a 2.88% coupon and matures in July 2031.

Scope's recovery analysis indicates superior recovery for the senior unsecured guaranteed bond. While this could support an uplift from the issuer rating, Scope has refrained from granting an uplift given limited visibility on the current balance-sheet structure and uncertainty regarding potential changes in the capital structure up to a hypothetical point of default. In particular, additional secured debt could rank ahead of the bond and dilute recoveries. Consequently, the bond is rated at the same level as the issuer rating.

Environmental, social and governance (ESG) factors

Scope highlights the complex nature of the intragroup financing between Hunland Trade and its sister companies. Specifically, the debt structure is complex, with different group entities acting as guarantors while raising multiple layers of debt seniorities. This makes the ranking for credit claims difficult to ascertain and could complicate a workout in case of a company default. This is seen as credit negative but does not lead to a negative rating-adjustment for ESG rating drivers as this is already reflected in the more conservative assessment of the financial risk profile.

All rating actions and rated entities

Hunland-Trade Kft.

Issuer rating: B/Negative, downgrade

Senior unsecured (guaranteed) debt instrument rating (ISIN: HU0000360680): B, downgrade

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

Stress testing & cash flow analysis

No stress testing was performed. Scope Ratings performed its standard cash flow forecasting for the company.

Methodology

The methodology used for these Credit Ratings and/or Outlook, (General Corporate Rating Methodology, 24 April 2026), is available on scoperatings.com/rating-governance/methodologies.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): registers.esma.europa.eu/cerep-publication/. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on scoperatings.com/governance-and-policies/rating-governance/methodologies.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Credit Ratings were not requested by the Rated Entity or its Related Third Parties. The Credit Rating process was conducted:

With the Rated Entity or Related Third Party participation	YES
With access to internal documents	NO
With access to management	NO

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings' internal sources.

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Regulatory disclosures

These Credit Ratings and/or Outlook are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and/or Outlook are UK-endorsed.

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The issuer Credit Rating/Outlook was first released by Scope Ratings on 25 February 2021. The Credit Rating was last updated on 30 April 2026.

The bond Credit Rating was first released by Scope Ratings on 13 July 2021. The Credit Rating was last updated on 30 April 2026.

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