SCOPE | Ratings

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Scope affirms Hungarian Sun Group's B+ issuer rating and revises Outlook to Negative

The Outlook revision reflects heightened uncertainty surrounding Sun Group's profitability and credit metrics amid a challenging operating environment.

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

Rating action

Scope Ratings GmbH (Scope) has affirmed the issuer rating of Sun Group Kft. at B+ and revised the Outlook to Negative from Stable. Concurrently, Scope has also affirmed the B+ rating on the senior unsecured bond (ISIN: HU0000361225) guaranteed by Prohuman Zrt. in addition to PHU Holding Kft. and Profólió Projekt Tanácsadó Kft.

The revision of the Outlook reflects heightened uncertainty surrounding Sun Group's profitability and credit metrics amid a challenging operating environment. Continued margin pressure, weaker EBITDA generation and volatile working capital dynamics constrain deleveraging capacity and reduce visibility on a sustained recovery. While revenue growth remains intact, it is largely volume-driven and insufficient to offset pressure on credit metrics.

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

Key rating drivers

Business risk profile: BB- (unchanged). Sun Group's competitive position benefits from the established regional footprint of its main subsidiary Prohuman Zrt. (Prohuman and its subsidiaries account for nearly 99% of the group's revenue), in the fragmented HR services market of Central and Eastern Europe (CEE). It holds moderate market positions in Hungary (approx. 22% share), and Romania (approx. 16%, third-largest provider), and structurally improving positions in Serbia and Slovenia. Overall, the group's operations span several CEE labour markets, although revenues remain concentrated, with Hungary and Romania jointly accounting for over 80% in 2025.

Flexible labour laws in Hungary and the CEE region enable companies to adjust workforce sizes quickly (ESG factor: credit-negative), which has historically shielded profitability during economic downturns. However, the introduction of stricter labour regulations in the future could pose additional risks.

Client diversification is broad but does not fully mitigate concentration risks. Prohuman served more than 1,600 clients in 2025 across multiple industries, including automotive, electronics, manufacturing, IT & technology, fast moving consumer goods, and retail. Revenue concentration is moderate, with the top 20 clients contributing around 45% of revenues in H1 2025. Exposure to multiple sectors helps absorb sector-specific fluctuations, but the service mix remains closely linked to cyclical, export-oriented manufacturing activity, limiting earnings visibility during downturns. Recent shifts in the industry mix, including a decline in volume from automotive and electronics-related manufacturing clients and a higher contribution from IT-related and other manufacturing activities, reflect demand volatility rather than a structural change in the group's end-market exposure. From a service offering perspective, Sun Group remains predominantly focused on temporary staffing, particularly in blue collar segments. Complementary services such as payroll, HR administration and foreign labour sourcing support customer retention and operational continuity, but do not materially alter the discretionary nature of demand. Recent acquisitions in facility management, contact centre

services (i.e. outsourced customer interaction and support services) and education broaden the service base, but these activities continue to represent a low teens share of group revenues, and therefore only partially mitigate cyclicality at this stage.

Operating profitability is a key business risk profile constraint. The Scope-adjusted EBITDA margin* declined to 4.9% in 2024 from 7.7% in 2022. Based on preliminary 2025 figures, the margin stands at 3.4% and Scope expects it to remain broadly flat or only improve slightly. Margin pressure is driven by persistent wage inflation, competitive pricing conditions and a higher weighting of lower-margin, high-volume staffing contracts, underscoring the sensitivity of earnings to labour costs and demand fluctuations. While the asset-light model supports solid capital efficiency, as reflected in a return on capital employed of around 20%, this does not offset the structurally low margin profile and elevated earnings volatility.

Financial risk profile: B+ (unchanged). The financial risk profile assessment reflects a continued weakening of credit metrics, driven by slower-than-expected deleveraging due to declining EBITDA. Weaker operating performance has kept financial risk heightened despite the absence of material new debt issuance.

Leverage remained elevated in 2024, with debt/EBITDA at 4.4x, reflecting weaker profitability and the inclusion of higher lease liabilities under IFRS 16. Based on preliminary 2025 results, Scope estimates that leverage has deteriorated further to above 5.0x, confirming that the trend is earnings-driven rather than debt-driven.

Interest coverage weakened further in 2024–2025, as lower EBITDA coincided with higher financing costs related to working capital instruments, particularly factoring. While margins on these facilities are fixed, interest expenses increased because they are linked to floating base rates, primary the Romania interbank rate (ROBOR), which rose over the period. Although long-term debt is partly fixed rate, Sun Group's heavier reliance on short-term financing has reduced interest coverage headroom, with EBITDA/interest cover falling below 4.0x.

Free operating cash flow/debt turned positive in 2024 and remained so in 2025. This reflects the inherent structural dynamics of working capital in the temporary staffing model, whereby workers are paid monthly

while payroll-related charges and other operating liabilities are settled with a delay. This mechanism can generate recurring working capital inflows, particularly when activity levels stabilise or grow moderately. However, the magnitude and persistence of these inflows are volatile due to their sensitivity to changes in volumes, payment timing, and client behaviour. Therefore, cash flow generation remains structurally volatile, reflecting the working capital-intensive nature of the temporary staffing business and its sensitivity to client payment behaviour.

For 2026–2027, Scope expects only gradual deleveraging, conditional on a modest recovery in EBITDA rather than balance sheet measures, with debt/EBITDA declining to below 4x. EBITDA/interest cover is projected to remain in the 3.0x–4.0x range, while free operating cash flow/debt is expected to fluctuate around 5%, depending on working capital movements. Continued access to receivables-based financing should support liquidity, but persistent margin pressure, lease obligations and cyclical exposure are likely to limit the pace of financial improvement.

Liquidity: adequate (unchanged). Sun Group's liquidity is adequate, with cash sources (available cash of HUF 4.9bn as of end-2025 and HUF 1.5bn in unutilised committed financing facilities) fully covering short-term debt obligations of HUF 1.4bn and HUF 1.7bn maturing in 2026 and 2027. The group will be able to repay its debt in the next 12-18 months, as all short-term debt relates to amortising loans. Scope considers liquidity and refinancing risks to be manageable for Sun Group, with the bond amortisation starting in 2027. However, liquidity could come under pressure from working capital fluctuations, particularly in the event of delayed customer payments; this risk is partially mitigated by the use of factoring, which supports liquidity but does not eliminate cash flow volatility.

Sun Group's senior unsecured bonds issued under the Hungarian National Bank's Bond Funding for Growth Scheme have a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 15.4bn) if the debt rating of the bonds stays below B+ for more than two years (grace period) or drops below B- (accelerated repayment within 5 business days). Such a development could adversely affect the group's liquidity profile. The rating headroom to entering the grace period is 0 notches. Given the tightening rating headroom, the group must address its credit weaknesses to avoid entering the grace period or the more severe

event of the debt rating being downgraded below B . In addition to the rating deterioration covenant, financial bond covenants include net debt/EBITDA not exceeding 3.5x, tested yearly. The issuer complied with these covenants in 2024 and has, according to management, remained in compliance in 2025.

Supplementary rating drivers: credit-neutral (unchanged). The rating has not been adjusted for financial policy, peer group considerations, parent support, or governance and structure. However, Scope has identified governance weaknesses in the rated entity, in particular poor transparency and inadequate financial planning. Inadequate financial planning is especially detrimental to creditors as it constrains visibility on the future development of credit metrics (ESG factor: credit-negative). Scope has reflected these risks in its financial risk profile and standalone creditworthiness assessments, negating the need for down-notching based on supplementary rating drivers.

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

Outlook and rating sensitivities

The **Negative Outlook** reflects increased uncertainty regarding Sun Group's operating performance, as well as the possibility of a reversal in the broader working capital-related cash inflows observed in 2024 and 2025. This could result in debt/EBITDA remaining above 4.0x on a sustained basis. Persistent pressure on EBITDA generation and margins, combined with elevated leverage in a challenging market environment, limits the prospect of a sustained recovery and puts downward pressure on the rating.

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

- Debt/EBITDA stabilising below 4.0x on a sustained basis

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

- Debt/EBITDA not stabilising below 4.0x on a sustained basis

Debt rating

In January 2022, Sun Group issued a HUF 15.4bn senior unsecured bond guaranteed by subsidiary Prohuman Zrt in addition to holdings PHU Holding Kft. and Profólió Projekt. The bond proceeds were used for the acquisition of Prohuman Zrt. The bond has a tenor of 10 years and a fixed coupon of 5.5% yearly. Bond repayment is in five tranches starting from 2027, with 10% of the face value payable yearly and a 50% balloon payment at maturity.

Scope has equalised the senior unsecured (guaranteed) bond (ISIN: HU0000361225) rating with the B+ issuer rating despite estimating an 'above-average' recovery. The debt rating is capped at the issuer rating level because creditor protection is limited for senior unsecured bondholders. The recovery level incorporates an expected distressed enterprise value as a going concern of around HUF 14.9bn in a hypothetical default scenario in 2027 and a 10% haircut on that value for administrative claims. This scenario assumes all available headroom on a secured basis would be used to maximise liquidity on a path to default.

Environmental, social and governance (ESG) factors

Material social ESG factors for corporates offering asset-light business services primarily centre on labour management risks – notably human rights, health and safety, the prevalence of short-term and easily terminated employment, physically stressful working conditions, and accommodation arrangements for immigrant workers.

Specific governance and structure weaknesses for Sun Group include poor transparency and inadequate financial planning. Inadequate financial planning not only reduces transparency but also impairs the ability to project future credit metrics accurately, creating uncertainty for creditors. This lack of visibility can heighten perceived risk, particularly during periods of financial stress, and erode confidence in the issuer's ability to manage obligations effectively. Governance shortcomings, such as deficient planning and oversight, may result in missed financial targets and undermine long-term stability, contributing to downward pressure on credit ratings.

All rating actions and rated entities

Sun Group Kft.

Issuer rating: B+/Negative, Outlook change

Senior unsecured (guaranteed) debt instrument rating (ISIN: HU0000361225): B+, affirmation

∗All credit metrics refer to Scope-adjusted figures except for the net debt/EBITDA financial covenant.

Stress testing & cash flow analysis

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

Methodology

The methodologies used for these Credit Ratings and/or Outlook, (General Corporate Rating Methodology, 14 February 2025; European Business and Consumer Services Rating Methodology, 15 January 2026), are available on scoperatings.com/governance-and-policies/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 Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

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

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and/or Outlook and the principal grounds on which the

Credit Ratings and/or Outlook are based. Following that review, the Credit Ratings and/or Outlook were not amended before being issued.

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 Credit Ratings/Outlook were first released by Scope Ratings on 21 December 2021. The Credit Ratings/Outlook were last updated on 24 April 2025.

Potential conflicts

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