SCOPE | Ratings

Hörmann Industries GmbH

Germany, Industrial Conglomerate

Issuer
BB

Outlook
Stable

Senior unsecured debt
BB

Rating composition

Business Risk Profile		
Industry risk profile	BBB-	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 estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	16.7x	12.0x	10.1x	8.6x
Scope-adjusted debt/EBITDA	1.0x	0.9x	0.8x	1.8x
Scope-adjusted funds from operations/debt	77%	71%	120%	21%
Scope-adjusted free operating cash flow (FOCF)/debt	19%	25%	40%	-17%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenarios for the rating and Outlook (collectively):

- Improved business risk profile, e.g. through reduced dependency on Funkwerk
- Maintenance of good credit metrics, with debt/EBITDA settling around 1.5x or below on a sustained basis

The downside scenarios for the ratings and Outlook (individually):

- Debt/EBITDA deteriorating to above 2.0x on a sustained basis
- A worsening of Funkwerk's strong market position

*All credit metrics refer to Scope-adjusted figures.

Lead Analyst

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Related methodologies

General Corporate Rating Methodology, Feb 2025

Automotive Suppliers Rating Methodology, Apr 2025

European Business and Consumer Services Rating Methodology, Jan 2025

Table of content

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Good positioning in profitable niche communication market, especially through subsidiary Funkwerk • Strong leverage as measured by Scope-adjusted debt/EBITDA of around 1.0x in 2019-24 and expected in the 1.5-2.0x range in 2026-28 • Still-solid business environment in Communication and Hörmann's indication of a higher order backlog in Automotives at year-end 2025 • Ongoing measures to improve Automotive's profitability	• High exposure to the relatively weak Automotive business, as indicated by weak profitability with a reported EBIT margin of less than 1% in 2017-25E • Heavy reliance on one subsidiary (Funkwerk) for cash flow and profitability • Volatile free operating cash flow (FOCF) and consequently cash flow cover • Customer concentration: top three customers accounted for over 35% of revenues in 2025 • Weak end-market diversification and international presence

2. Rating Outlook

The **Stable Outlook** reflects our expectation of a very solid cash on the balance sheet position at year-end 2025. It also incorporates Hörmann's indication of a higher order backlog in Automotives at year-end 2025 and the continued growth in Communication, albeit at a slower rate. The Outlook further reflects our projection that debt/EBITDA will increase to between 1.5x and 2.0x in 2026–27 (from under 1x projected in 2025), which remains commensurate with the rating. The Outlook factors in a repurchase of 9.5% of Funkwerk's outstanding shares for around EUR 25.5m.

3. Corporate profile

Industrial conglomerate with four divisions

Since its foundation in 1955, Hörmann has developed into a conglomerate of over 35 companies, which is divided into four divisions:

- **Automotive:** This division specialises in the production of frame mounting parts (e.g. tubular cross members, bumpers, coupling plates and cross beams), body-in-white components (e.g. roof panels, bottom plates and side panels), longitudinal frame members, and modules and chassis.
- **Communication:** Funkwerk AG, a 78% subsidiary, accounts for more than 80% of the segment's revenues. It offers radio modules for railways and public transport companies using analogue and digital mobile networks (LTE, GSM-R); display and information systems for transport operators, municipalities and cities; and video security applications for building and process monitoring. Siren systems and services generate a further EUR 30-50m of revenues per year.
- **Intralogistics:** Most the division's revenue comes from activities as a general contractor for the planning and realisation of automatic high-bay warehouses and miniload or tray warehouses as well as for the modernisation of existing facilities during ongoing operations.
- **Engineering:** This division provides engineering services such as the planning and realisation of new factories, the re-engineering and/or relocation of existing factories, and design engineering for the development of rail and road vehicles. Around EUR 10m-15m of divisional revenues per year are generated from the development and production of detectors for measuring ionising radiation for use in medicine.

The group is headquartered in Kirchseeon, Germany, and has locations in Austria, Poland, the Czech Republic and Slovakia. It has over 2,900 employees and reported EUR 679m in revenues in 2024. Hörmann Industries GmbH is 100% owned by the Hörmann family.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
26 March 2026	Affirmation	BB/Stable
31 March 2025	Affirmation	BB/Stable
28 March 2024	Affirmation	BB/Stable

5. Financial overview (financial data in EUR m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	10.6x	16.7x	12.0x	10.1x	8.6x	8.6x
Debt/EBITDA	1.1x	1.0x	0.9x	0.8x	1.8x	1.6x
Funds from operations/debt	71%	77%	71%	120%	21%	45%
Free operating cash flow/debt	-35%	19%	25%	40%	-17%	9%
Liquidity	>200%	>200%	>200%	>200%	>200%	>200%
EBITDA						
EBITDA	35.2	44.5	40.3	47.2	42.3	40.2
add: operating lease payments in respective year[1]	9.8	11.2	11.4	11.1	13.5	21.5
add/less: other items	-	-	-	-	-	-
EBITDA	**45.0**	**55.7**	**51.7**	**58.3**	**55.8**	**61.8**
Funds from operations (FFO)						
EBITDA	45.0	55.7	51.7	58.3	55.8	61.8
less: interest	-4.3	-3.3	-4.3	-5.7	-6.5	-7.1
less: cash tax paid	-7.8	-16.4	-5.6	-11.5	-10.2	-8.7
add: provisions	9.4	9.9	3.7	19.0	-18.5	-
less: profit on disposals	-0.4	0.3	-0.1	-	-	-
Other non-operating charges before FFO[2]	-7.0	-4.4	-12.6	-5.7	-	-
Funds from operations (FFO)	**35.0**	**41.8**	**32.8**	**54.3**	**20.7**	**45.9**
Free operating cash flow (FOCF)						
Funds from operations	35.0	41.8	32.8	54.3	20.7	45.9
Change in working capital	-34.0	1.9	4.4	-7.9	-9.0	-2.7
Non-operating cash flow	-2.7	-3.9	-4.7	-5.4	-	-
less: capital expenditures (net)	-6.3	-19.4	-10.6	-13.1	-16.7	-14.5
less: lease amortisation	-8.9	-10.1	-10.3	-9.9	-11.9	-19.5
Free operating cash flow	**-16.9**	**10.3**	**11.6**	**18.0**	**-17.0**	**9.3**
Interest						
Net cash interest per cash flow statement	3.3	2.3	3.2	4.6	4.9	5.1
Interest component on operating leases	0.9	1.1	1.1	1.2	1.6	2.0
Interest	**4.3**	**3.3**	**4.3**	**5.7**	**6.5**	**7.1**
Debt						
Reported financial (senior) debt	57.8	55.7	73.2	69.5	69.7	62.2
less: cash and cash equivalents	-73.1	-64.9	-91.6	-101.4	-50.1	-44.9
add: non-accessible cash	25.4	20.3	24.5	33.8	22.5	25.0
add: pensions	20.3	19.2	18.2	18.2	18.2	18.2
add: operating lease obligations[3]	18.5	23.6	21.6	25.0	37.4	40.8
Debt	**49.0**	**54.0**	**46.0**	**45.2**	**97.7**	**101.4**

[1] Leases adjusted retrospectively based on new information

[2] Other items in FFO include other non-cash expenses/income

[3] Operating leases in the past have been adjusted to reflect new information on operating leases

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

There are no company-specific ESG factors which have a substantial impact on credit risk.

Social risks are moderate. They arise from the group's ability to attract and retain skilled and talented technical and engineering employees in order to remain competitive in a developing technology environment.

Governance risks relate to potential conflicts of interest, which are common in family-owned businesses. The shareholders' meeting constitutes the highest management body. The shareholders' meeting decides on all matters relating to business operations, with resolutions generally requiring a simple majority unless stipulated by law or the articles of association. As a rule, the shareholders' meeting is convened once a year (i.e. the annual general meeting). The shareholders of Hörmann Industries GmbH are Hörmann Beteiligungsholding GmbH (85%), Hans Hörmann Holding GmbH & Co. KG (14%) and Hörmann Holding GmbH & Co. KG (1%). Further, Dr Michael Radke (Hörmann Industries GmbH's CEO) and Johann Schmid-Davis (Hörmann Industries GmbH's CFO) are also managing directors with the sole power of representation of Hörmann Beteiligungsholding GmbH and Hörmann Verwaltungs GmbH (managing general partner of Hörmann Holding GmbH & Co. KG).

[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+

Hörmann's business risks are largely mitigated by its solid positioning in the profitable niche rail communication market, and continuous solid business development in Communication. However, business risks are amplified by: i) high exposure to the relatively weak Automotive business; ii) a heavy dependence on subsidiary Funkwerk for cash flow and profitability; iii) concentration on individual customers; iv) weak end-market diversification; and v) a weak international presence.

Product portfolio is exposed to different industries: blended industry risk profile of BBB-

Hörmann's product portfolio is exposed to different industries with different industry risk profiles: automotive suppliers (assessed at BB), capital goods (BBB) and business services (BBB). We have applied a blended industry risk profile of BBB-, as close to 100% of Hörmann's earnings are exposed to the capital goods sector. However, this good industry risk profile does not translate into a credit uplift in our assessment of Hörmann's business risk profile. This is because Hörmann operates in the capital goods-related part of the sector, where its relatively small size and mainly project-related business expose it to higher cyclicality and lower barriers to entry compared to the broader capital goods sector.

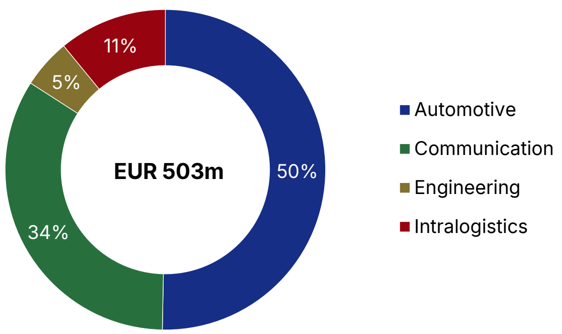
Good position in profitable niche markets in Communication diluted by weak position in Automotive

Hörmann holds a good position in profitable niche markets in the Communication segment, especially through its subsidiary Funkwerk, which provides train radio modules on analogue and digital networks. While Funkwerk itself would justify a stronger market position assessment, the weaker parts of the group, such as Automotive (the group's largest segment, providing around 55% of revenue), dilute its aggregated market position. In particular, very weak profitability, reflected in an EBIT margin of less than 1% in 2018-24, indicates weak pricing power.

Hörmann is an industrial conglomerate

As an industrial conglomerate, the range of products offered by Hörmann is relatively broad. The group operates across multiple, unrelated industries.

Figure 1: Automotive is Hörmann's dominant division in terms of revenue (9M 2025 figures)



Source: Hörmann, Scope

Table 1. Industrial conglomerate with a relatively diversified product offering (2024)

Product category	Revenue EUR m	% of total revenue
Automotive parts	351	52%
o/w frame mounting parts	99	15%
o/w body-in-white components	116	17%
o/w longitudinal frame members	60	9%
o/w module & chassis	19	3%
o/w other	57	8%
Train radio modules	104	15%
Engineering services	95	14%
Siren systems	37	5%
Conveyor systems	6	1%
Detectors	10	1%
Video security systems	19	3%
Others	58	9%
Total	**680**	**100%**

Source: Hörmann, Scope

High dependence on Funkwerk for cash flow and profitability and low end-market diversification

That said, overall diversification is restrained by the heavy dependence of Hörmann's earnings and cash flow on the Communication segment, in particular its subsidiary Funkwerk, which accounts for over 85% of the segment's EBIT. Industrial exposure does not provide meaningful support for diversification either, since around 65% of total revenues are exposed to only two sectors: the cyclical automotive market and railway. The remaining 35% of total revenues are spread across public transportation, buildings, public spaces, industrial properties and facilities, shipping and airports, parcel distribution centres, and hospitals.

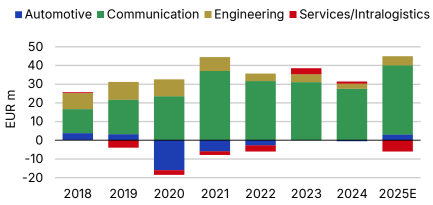
Dependency on individual customers

Diversification is also held back by a dependency on individual customers. The largest single customer, MAN Truck & Bus SE, accounts for around 54% of Automotive revenues and 26% of group revenues. The second largest customer, Daimler Truck, accounts for 13% of Automotive revenues and 6% of group revenues. However, we believe that customer risk is mitigated by mutual dependence, since Hörmann is a single-source supplier of extra-long chassis side members and various body parts for MAN. Outside of Automotive, the customer structure is more granular. Deutsche Bahn is the largest customer, accounting for about 6% of total revenues.

Weak international presence

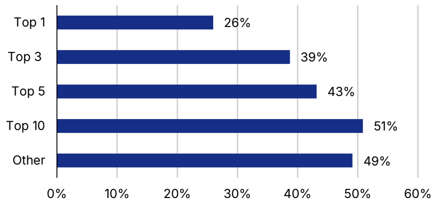
Despite the recent acquisition of Radionika Sp.z o.o. in Poland, Hörmann has a relatively weak international presence, with Germany accounting for around 60% of total revenues in 2023-24. This strong domestic exposure is especially due to Automotive and Intralogistics. Funkwerk also generates the vast majority of its revenue in Germany.

Figure 2: Dependence of earnings on the Communication segment
EBIT contribution by segment



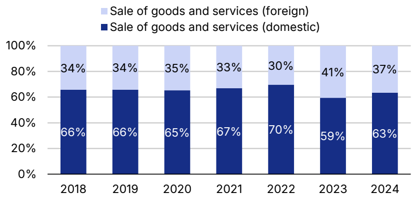
Source: Hörmann, Scope estimates

Figure 3: Customer concentration
Revenue split by customer



Source: Hörmann, Scope

Figure 4: Still dependent on domestic market despite recent acquisition in Poland



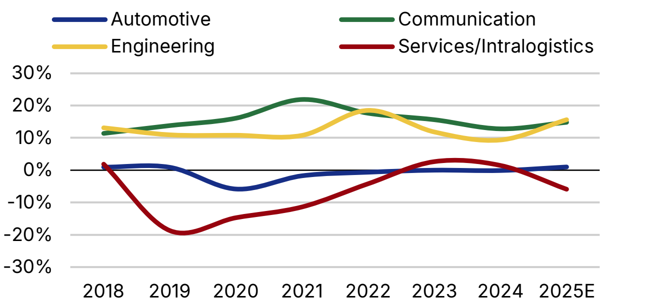
Source: Hörmann, Scope

Significant dilutive effect from Automotive's weak profitability

Profitability is a further constraint on Hörmann's business risk profile. The relative size of the Automotive division means that its very weak profitability (EBIT margins of less than 1% in 2017-24) significantly dilutes total group profitability. We attribute the Automotive segment's low profitability to its product portfolio, which is subject to competitive pressure from lower-cost Eastern European countries. The stronger profitability in Communication, on the other hand, supports Hörmann's overall profitability.

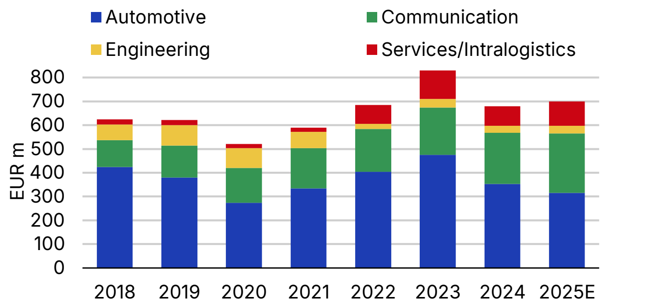
Figure 5: Weak Automotive profitability…

EBIT margin development by segment



Source: Hörmann, Scope estimates

Figure 6: …paired with its relative size dilutes overall profitability
Revenue contribution by segment



Source: Hörmann, Scope estimates

Past measures to boost Automotive's profitability focused on divestments and relocations

To improve Automotive's profitability, Hörmann has focused on restructuring its production capacities. In the past, these measures included selling loss-making businesses and relocating production. Most recently, in 2023, Hörmann disposed of 100% of its stake in the loss-making Hörmann Automotive Eislingen GmbH. After the failed sale of Hörmann Automotive Wackersdorf GmbH (Wackersdorf) in 2023, Wackersdorf was used for the production of other goods such as sirens and train driving displays in 2024. Consequently, the Wackersdorf plant was transferred to Funkwerk Systems by contract dated 1 January 2026. These measures have stabilised Automotive's profitability at a very low level.

Future measures will focus on improving Automotive's product mix

In addition, Hörmann is investing in expanding its production capacity in order to improve its product mix and compete with lower-cost manufacturers in Eastern and Southern Europe. In recent years, Hörmann invested in the modernisation and technological upgrading of frame longitudinal beam production at its plant in Gustavsburg to enable the production of frame parts for e-trucks. Deliveries of components for electric trucks to the manufacturers MAN, Daimler, and DAF began in 2025. That said, battery-electric vehicles only represent around 2%-3% of the above-mentioned manufacturers' production at present, making Hörmann's share of sales insignificant. In February

2026, Hörmann announced plans to invest a further EUR 30m in the Gustavsburg plant. The group intends to invest in a modern, highly automated production line for frame side members and to expand frame side member production for the newest generations of trucks. Production is planned to start in 2029. While these measures are promising, we will await verifiable evidence of a sustained improvement.

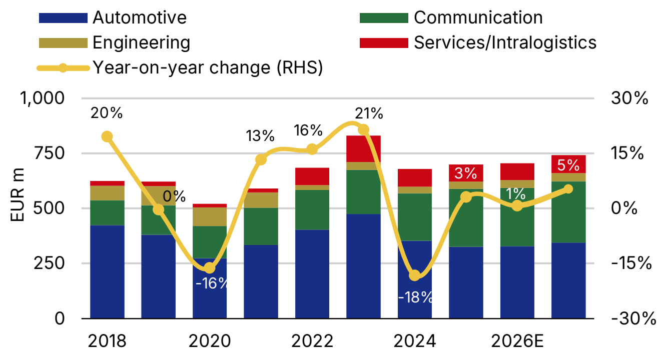
We maintain our 2025 revenue forecast

Based on the 9m 2025 revenue performance (up 3.2% to EUR 503m), we have maintained our revenue forecast of around EUR 700m for 2025, up 3% YoY. Growth in Communication (up 18% YoY) and Intralogistics (up 27% YoY) in 9m 2025 more than offset another decline in Automotive (down 7% YoY).

Increased forecast for Hörmann's EBITDA margin in 2025

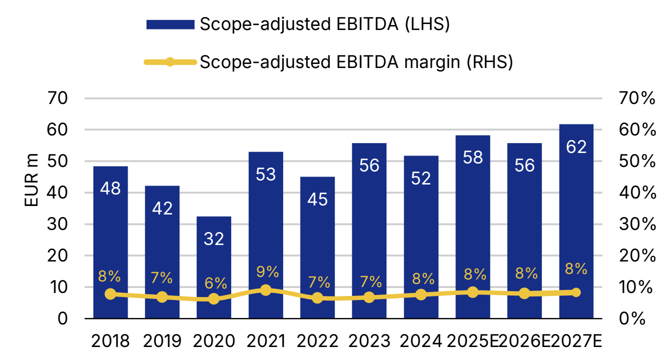
We have increased our expectation for the EBITDA margin in 2025 to around 8%, up from about 7.0% previously. Hörmann reported improved profitability in 9m 2025, with the EBIT margin reaching 4.5%, up from 0.7% in the same period of 2024, thanks to the improvements in the Automotive and Communication segments. Contrary to our previous expectations, Automotive EBIT is likely to become positive in 2025. We attribute this to price increases with its main customer at the end of 2024. The improvement in Communication (EBIT margin up to 10.3% in H1 2025 from 8.5% in H1 2024) is largely due to higher capacity utilisation. The upward revision of our profitability expectations, combined with our confirmed revenue expectations, translates into an increase in our EBITDA forecast to around EUR 60m, up from EUR 50m. As Hörmann still reports under the German Commercial Code (HGB), the reported figures include operating lease expenses.

Figure 7: Communication and Automotive to drive revenue in 2026



Source: Hörmann, Scope estimates

Figure 8: Improved profitability in Automotive should support overall profitability in 2025-27



Source: Hörmann, Scope estimates

Revenue increase in 2026 from higher order backlog in Automotives and growth in Communication

We project a slight increase in revenue to around EUR 705m in 2026 (up 1% YoY), driven by continued growth in Communication and a modest uptick in Automotive revenue. We expect Communication to continue to benefit from Funkwerk's solid development. That said, we project that growth will slow down compared to previous years, as some high-volume pilot projects (such as the contract from DB to install around 100 radio masts along the Hamburg - Berlin railway line) will end in 2026. Hörmann's indication of a lower order backlog at the end of 2025 YoY also reflects the normalisation of orders following unusually high volumes in previous years. Communication should be supported by investments in infrastructure (railways and the electricity grid) in Germany. The revenue contribution from GES, acquired in January 2026, will be limited, adding around EUR 4m to revenue. Hörmann has indicated that the order backlog in Automotive was higher at YE 2025 YoY, reflecting customers' expectation of a modest market recovery. We anticipate subdued revenue in Intralogistics and Engineering in 2026, as suggested by lower order backlogs at the end of 2025. For 2027, we have factored in revenues of EUR 740m (up 5% YoY), assuming improved business conditions for Automotive, Intralogistics and Engineering, and continued revenue growth for Communication.

Revised expectations for EBITDA margin in 2026-27 reflect rationalisation measures in Automotive

We have raised our forecast for the EBITDA margin to around 8% in 2026-27, up from about 6.5% previously. This upward revision reflects our expectation that further rationalisation measures such as plant consolidation should allow Hörmann to maintain profitability in Automotive at around 2025 levels. Higher production volumes YoY would offer additional upside. Simultaneously, we have increased our forecast for EBITDA in 2026–27 to approximately EUR 55-60m yearly, up from around EUR 55m previously.

8. Financial risk profile: BBB-

Downward revision in financial risk profile to BBB-, from BBB previously

The downward revision of Hörmann's financial risk profile to BBB- from BBB is based on the anticipated increase in debt in 2026, driven by the assumed repurchase of 9.5% of Funkwerk's outstanding shares and our continued approach of considering 50% of Funkwerk's cash to be trapped. Hörmann's financial risk profile continues to be supported by still-strong leverage and strong debt protection. It remains constrained by weak cash flow cover due to volatile and, in some years, negative FOCF.

Debt/EBITDA likely to improve to below 1x in 2025

Hörmann's leverage, as measured by debt/EBITDA, was strong at around 1.0x in 2019-24. We project that debt/EBITDA will improve to below 1.0x in 2025, driven by an increase in EBITDA.

Our reported debt adjustments

We expect debt of around EUR 45m at YE 2025, slightly down from EUR 46m at YE 2025. The downward revision compared to our previous expectation (EUR 64m) largely reflects the higher anticipated cash level, primarily due to the postponement of invoice payments by Hörmann, which has resulted in higher-than-anticipated FOCF. In order to calculate debt, we have added: i) uncovered pensions totalling EUR 18m; and ii) leases totalling EUR 25m. In addition, we assume that 50% of Funkwerk's cash is trapped. The majority of the group's cash is held at the level of the listed Funkwerk, in which Hörmann holds 78% of the shares. Although we believe Hörmann could access Funkwerk's cash through a dividend payment, a full transfer of cash is unrealistic due to economic and other issues. We also note that Funkwerk only holds a 60% stake in Radionika Sp. z o.o. Funkwerk is supposed to be delisted from the stock exchange by the end of March 2026. Furthermore, on March 18, Funkwerk announced its plan to acquire approximately 9.5% of Funkwerk's outstanding shares. Given the company's delisting, we deem it highly likely that all shares will be delivered. According to Hörmann, the goal is financial integration between the two companies, but it will not be implemented immediately following the share purchase. Therefore, we continue to consider 50% of Funkwerk's cash to be trapped.

Immediate financial integration following the share purchase is unlikely

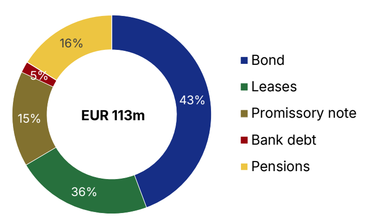
Very strong leverage from 2025 unlikely to persist; projected increase to above 1.5x in 2026

We project a substantial increase in debt, with debt/EBITDA rising to above 1.5x in 2026. We have factored in EUR 25.5m for the acquisition of 9.5% shares of Funkwerk AG. In addition, this increase reflects our expectation of negative FOCF of around EUR -17m in 2026, as the postponed invoice payments were settled in January and we anticipate higher net working capital (NWC) in 2026. Furthermore, based on our discussions with management, Hörmann plans to continue to make small add-on acquisitions with a focus on the Communication segment. We have factored EUR 5m per year for M&A into our forecast. In January 2026, Funkwerk already acquired GES – Gesellschaft für Elektro- und Sicherheitstechnik mbH & Co. KG, based in Munich. The parties agreed not to disclose the purchase price.

New investment programme of EUR 30m is likely to prevent deleveraging

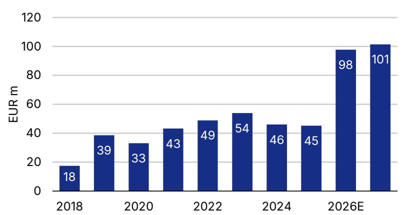
In January 2026, Hörmann announced a new investment programme of around EUR 30m for the Gustavsburg plant. We believe this investment programme will prevent meaningful deleveraging and expect the debt/EBITDA ratio to remain in the 1.5-2.0x range in 2027.

Figure 9: Bonds and leases dominate funding structure (YE 2025E)



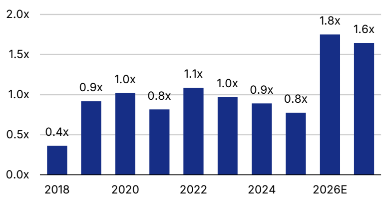
Source: Hörmann, Scope estimates

Figure 10: Debt is likely to increase post 2026...



Source: Hörmann, Scope estimates

Figure 11: ...pushing debt/EBITDA to above 1.5x in 2026-27



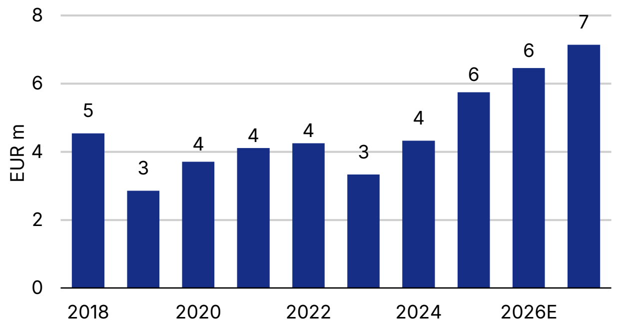
Source: Hörmann, Scope estimates

Continued strong interest cover

Interest cover – as measured by EBITDA/interest – has historically been strong at above 10x. We expect it to remain strong in 2025, with anticipated interest coverage of around 10x. We anticipate a slight increase in interest payments after 2025, driven by a decline in interest income in line with lower projected cash holdings and higher leases. Although we expect the interest coverage ratio to deteriorate in 2026–27, it should remain strong at around 8.5x.

Figure 12: Higher interest payments in 2026-27 due to lower projected interest income

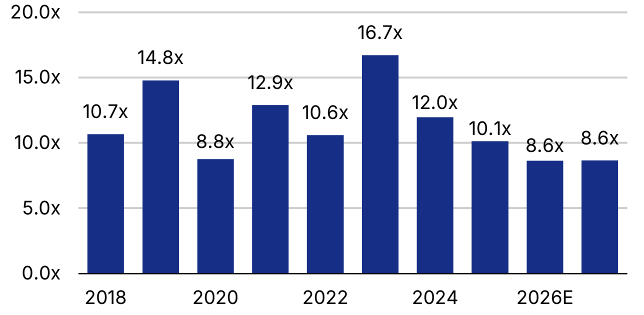
Interest



Source: Hörmann, Scope estimates

Figure 13: Continued strong debt protection metric despite higher interest payments

EBITDA/interest cover



Source: Hörmann, Scope estimates

Hörmann's overall financial risk profile is somewhat restrained by its weak cash flow cover due to its volatile and, in some years, negative FOCF. It is worth noting that Funkwerk has generated most, and at times all, of the group's cash flow over the last four years, which is a credit weakness.

Volatile FOCF and dependency on Funkwerk are credit weaknesses

We anticipate FOCF of around EUR 18m in 2025, up from about EUR 12m in 2024 and improved cash flow cover YoY. We understand that the payment of some invoices was postponed in 2025. This, alongside higher earnings, positively impacted cash flow. We expect these positive effects to be mitigated by: i) higher tax payments YoY; ii) an increase in NWC; and iii) higher net capex, expected to be roughly EUR 13m in 2025, up from around EUR 11m previously. We have also factored in lease amortisation of EUR 9m in 2025.

Positive FOCF projected in 2025, supported by some postponed invoice payments

For 2026, we have factored in negative FOCF of around EUR -17m, as: i) the deferred invoice payments were settled in January and will affect cash flow in 2026; and ii) we expect another increase in NWC, driven by the expected solid business in Communication. Hörmann's inventories have been rising since 2023, both in absolute terms and as a percentage of revenue. We attribute this primarily to the increasing share of Communication and Intralogistics in the overall business mix, both of which are relatively NWC-heavy segments, accounting for 60%-80% of Hörmann's total NWC. The negative impact from higher inventories has been partly mitigated by the lower trade receivables supported by the new factoring agreement. While factoring is currently only used for clients in Automotive, it could be extended to Communication in the future.

Negative FOCF projected in 2026

Factoring could be extended to Communication in the future

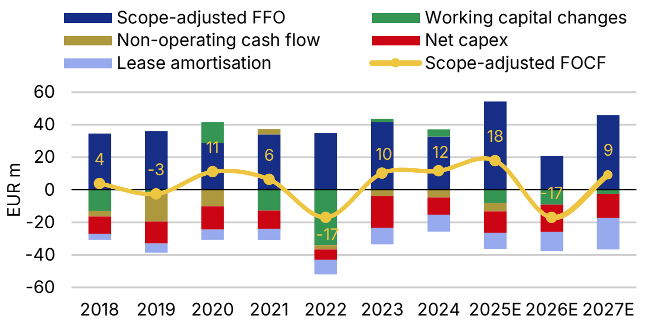
The new EUR 30m investment programme, which is set to run until 2029, includes leases and, to a lesser extent, capex (under EUR 10m).

New investment programme relies primarily on leases

We anticipate that FOCF will become positive at around EUR 10m in 2027. Consequently, we expect cash flow cover to turn negative in 2026, before recovering to around 10% in 2027.

Cash flow cover to turn negative in 2026, before recovering in 2027

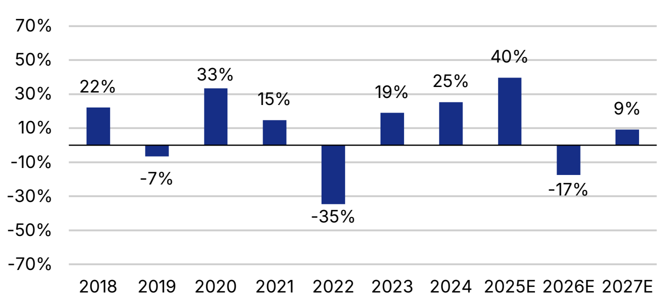
Figure 14: Swings in working capital and non-operating cash flow drive FOCF volatility



Sources: Hörmann, Scope estimates

Figure 15: Cash flow cover to remain volatile

FOCF/debt



Sources: Hörmann, Scope estimates

Hörmann's liquidity profile remains adequate, supported by a very solid expected cash on the balance sheet position at year-end 2025 and the absence of major short-term maturities in 2026-27. Overall, Hörmann's available cash sources cover the group's cash uses in the next 12-18 months by well over 200%.

Adequate liquidity

Table 2: Liquidity sources and uses (in EUR m)

	2025E	2026E	2027E
Unrestricted cash (t-1)	67.1	67.6	27.6
Open committed credit lines (t-1)	37.0	40.0	0.0
Other liquidity sources (t-1)[5]	0.0	0.0	0.0
Free operating cash flow (t)	18.0	-17.0	9.3
Short-term debt (t-1)	5.7	2.0	9.4
Liquidity	**>200%**	**>200%**	**>200%**

Sources: Hörmann, Scope estimates

Cash sources

Principal cash sources comprise:

- An anticipated cash balance of around EUR 100m at year-end 2025. Our liquidity calculation excludes 50% of the cash at Funkwerk level, which we consider restricted.
- Almost undrawn funds from the EUR 40m syndicated loan with a term until June-2027, of which up to EUR 15m can be used as a current account credit line and up to EUR 25m as a revolving line. Hörmann plans to renegotiate the syndicated loan agreement from Q2 2026.
- Expected FOCF of around EUR 10m in 2027.

Cash uses

Expected cash uses comprise:

- Expected negative FOCF of around EUR -17m in 2026.
- Yearly dividend payments of around EUR 4.5m in 2026-27.
- Around EUR 25.5m for the repurchase of 9.5% of Funkwerk shares in 2026.
- Yearly M&A-related payout in the EUR 4-5m range per year in 2026-27.
- No material maturities in 2026, debt repayments of around EUR 9.5m in 2027. The EUR 50m bond is due for repayment in 2028. Hörmann's refinancing strategy envisages repaying the promissory note loan from cash and tapping the capital market in 2027 to refinance the bond. Given the group's solid business development, this refinancing strategy has a good chance of succeeding. The refinancing of the bond will be subject to the prevailing market conditions.

Covenant associated with syndicated loan and promissory notes

The syndicated loan and promissory notes have a covenant that requires an adjusted equity ratio of more than 22%, calculated at the level of the parent company Hörmann Holding GmbH & Co. KG. This covenant is tested on a quarterly basis. At the end of 2025, the preliminary ratio was around 28% (year-end 2024: 28.6%).

Covenant associated with the new bond

The bond has an incurrence covenant, which is tested if Hörmann initiates a financial transaction such as the payment of a dividend or the raising of further loans, and is fulfilled if the leverage ratio is below 2.75x at the respective point in time. The calculation of the covenant does not take into account off-balance sheet items such as operating leases and pensions, which are quite substantial. It is also calculated with 100% of Funkwerk's cash.

Full covenant compliance expected going forward

Based on our earnings forecast, we expect compliance with both covenants in 2026-27.

[5] Portion of liquid inventories (25%).

9. Supplementary rating drivers: +/- 0 notches

Credit-neutral financial policy

We have a neutral view on Hörmann's capital allocation. Although Hörmann does not have any defined financial policy targets, its track record suggests a relatively conservative approach to capital allocation. This is reflected in fairly low dividend payments and limited M&A activity, leaving the group with a strong balance sheet.

Dividend payments include payments from Funkwerk to its minority shareholders and from Hörmann to its parent company.

Continuation of add-on acquisitions

In recent years, Hörmann has used its capital for bolt-on acquisitions, which we expect to continue with a focus on the Communication and Intralogistics segments.

10. Debt rating

Senior unsecured debt rating: BB

Senior unsecured debt is rated BB, based on an average recovery prospect in a simulated default event in 2027. Our recovery analysis incorporates a distressed going-concern enterprise value of around EUR 60m.

Hörmann's debt instruments total around EUR 110m, of which around EUR 70m are drawn, comprising in particular:

- A EUR 50m bond with a coupon of 7.0% and a term of five years, maturing in July 2028.
- A EUR 18m promissory note with a coupon of 5%. Of the total amount, EUR 7.5m is due for repayment in 2027 and EUR 10m in 2030.
- A five-year syndicated loan in the amount of EUR 40m due in June 2027, which was largely undrawn at YE 2025. This line is due to be renegotiated in 2026.
- Credit line of around EUR 2.2m established at the level of Hörmann Klatt Conveyors GmbH and guaranteed by Hörmann Industries GmbH.

Our recovery analysis also takes aval credit lines into consideration, as Hörmann is a co-obligor or co-borrower for financings of its parent Hörmann Holding GmbH & Co. KG.

Apart from a credit line for Hörmann Klatt Conveyors GmbH, all debt is managed centrally by Hörmann Industries GmbH, which provides loans and other types of financing for affiliated companies. There are no cross guarantees.

We consider the credit line for Hörmann Klatt Conveyors GmbH to be structurally senior. The other debt instruments are unsecured and rank pari passu.

We assume that the EUR 40m syndicated loan and the EUR 2.2m credit line made available to Hörmann Klatt Conveyors GmbH will be fully utilised at the simulated point of default. Furthermore, we assume that the business plan will be executed as planned with no additional bank debt or other financing.

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