In late August, Fitch Ratings has assigned Hungary’s largest electricity and gas utility MVM (BBB/Stable) up to 17.5 million euros bonds a local-currency senior unsecured rating of BBB.
The volume of the bonds will amount to up to 15.8 million euros plus, and subject to over-allotment in the planned auction, an additional amount of up to 1.7 million euros. The bonds will pay a fixed coupon of 3.25 % per year and have a 10-year tenor with an amortizing repayment schedule. 10 % of the face value of the bonds will become due every year between 2028 and 2030 and the remaining 70 % in 2031.
The rating of the bonds is at the same level as MVM’s Long-Term Local-Currency Issuer Default Rating (IDR), as the bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of MVM.
The proceeds from the bonds will be used to finance general corporate purposes. However, MVM undertakes that it will not use any part of the bond proceeds to finance the operations, technological development or capacity expansion -including the addition of any new capacities – of MVM group’s coal-fired power plants or any other coal-based facilities.
The business profile of MVM benefits from its strong market position in Hungary, spanning electricity generation (62 % market share), gas imports (off-taker in the main gas imports contract), gas storage (65 % market share), electricity transmission (100 % market share), electricity and gas distribution (12 % and 48 %, respectively), as well as electricity and gas wholesale and retail supply as the main company in the market.
As a result, MVM has better integration and business diversification in electricity and gas than most of its central European peers. However, the ratings also incorporate MVM’s smaller size of operations and lower financial transparency than some regional peers.