SCOPE | Ratings

ITK Holding Zrt.

Hungary, Business Services

Issuer

BB-

Outlook

Negative

Senior unsecured debt

BB-

Rating composition

Business risk profile		
Industry risk profile	BB	B
Competitive position	B	
Financial risk profile		
Credit metrics	CCC	CCC
Liquidity	+/-0 notches	
Standalone credit assessment		**B-**
Supplementary rating drivers		
Financial policy	+/-0 notches	+3 notches
Governance & structure	+/-0 notches	
Parent/government support	+3 notches	
Peer context	+/-0 notches	
Issuer rating		**BB-**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	1.1x	1.5x	2.2x	2.3x
Scope-adjusted debt/EBITDA	13.9x	12.6x	11.3x	11.1x
Scope-adjusted funds from operations/debt	0%	2%	4%	4%
Scope-adjusted free operating cash flow/debt	-22%	-16%	-4%	1%
Liquidity	95%	18%	11%	28%

Rating sensitivities

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

- Improved confidence in medium-term financial support from MOL, reducing uncertainty on liquidity assessments
- Debt/EBITDA below 6.0x, for example through a recapitalisation paired with positive free operating cash flow, which allows for organic deleveraging

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

- No improved confidence in medium-term financial support from MOL, increasing uncertainty in liquidity assessments
- Debt/EBITDA remaining at or above 6.0x

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

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Related methodologies

General Corporate Rating Methodology, Feb 2025

European Business and Consumer Services Rating Methodology, Jan 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Strong financial and operational support from main shareholder MOL Group • Long-term contracts that provide earnings and margin stability for the transport services business • Highly loss-making manufacturing business discontinued in early 2025, stimulating consolidated EBITDA • General distributor of Mercedes Benz buses and trucks, boosting visibility and brand	• Weak financial risk profile, with high leverage and negative free operating cash flow • High dependency on MOL Group in terms of intercompany sales and financial support • High supplier and customer concentration in transport services and wholesale

2. Rating Outlook

The Negative Outlook reflects sustained pressure on leverage and cash flow coverage, as well as the short-term nature of MOL's financial support. This results in uncertainty regarding continued adequate liquidity.

3. Corporate profile

ITK Holding Zrt. (ITK) is a Hungarian company focused on transport services as well as the wholesaling of buses and trucks and the spare parts for these vehicles. In Hungary, the company provides bus services in three of the 10 largest cities and is the wholesaler of Mercedes Benz buses and trucks in partnership with Daimler. The company is a joint venture between MOL Group and ITK Invest Ltd. ITK became a fully consolidated member of MOL Group in 2023. In 2024, ITK had consolidated revenues of HUF 45.0bn and EBITDA of HUF 5.0bn and employed 649 people at year-end 2024.

Fully consolidated subsidiary of MOL Group, engaged in transport services and wholesaling of trucks and buses

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
21 May 2025	Outlook change	BB-/Negative
24 May 2024	Affirmation	BB-/Stable
28 Nov 2023	Under review placement	BB-/Under review for a possible upgrade

5. Financial overview (financial data in HUF m)

				Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**
EBITDA interest cover	0.9x	1.1x	1.5x	2.2x	2.3x
Debt/EBITDA	51.0x	13.9x	12.6x	11.3x	11.1x
Funds from operations/debt	0%	0%	2%	4%	4%
Free operating cash flow/debt	-40%	-22%	-16%	-4%	1%
Liquidity	6%	95%	18%	11%	28%
EBITDA					
Reported EBITDA	903	3,120	5,547	5,933	6,112
Gains/losses on disposals	0	0	-295	0	0
Change in provisions	0	755	-216	0	0
EBITDA	**903**	**3,874**	**5,036**	**5,933**	**6,112**
Funds from operations (FFO)					
EBITDA	903	3,874	5,036	5,933	6,112
less: interest	-967	-3,549	-3,340	-2,716	-2,707
less: cash tax paid	-33	-150	-354	-358	-350
Other non-operating charges before FFO	107	-442	-39	0	0
Funds from operations	**10**	**-266**	**1,302**	**2,859**	**3,055**
Free operating cash flow (FOCF)					
Funds from operations	10	-266	1,302	2,859	3,055
Change in working capital	-67	-1,158	-6,259	-1,658	91
Non-operating cash flow	0	1,368	562	0	0
less: capital expenditures (net)	-18,310	-11,859	-5,463	-4,000	-2,500
Free operating cash flow	**-18,367**	**-11,915**	**-9,858**	**-2,799**	**646**
Interest					
Net cash interest per cash flow statement	967	3,549	3,340	2,716	2,707
add: other items	0	0	0	0	0
Interest	**967**	**3,549**	**3,340**	**2,716**	**2,707**
Debt					
Reported financial (senior) debt	43,919	52,075	45,233	44,187	43,536
add: shareholder loans	2,148	1,934	17,969	22,772	24,593
less: cash and cash equivalents[1]	NA	NA	NA	NA	NA
add: other debt-like items	0	0	0	0	0
Debt	**46,067**	**54,008**	**63,202**	**66,959**	**68,130**

[1] Cash netting not applicable, as the standalone credit assessment 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

ESG factors: credit-neutral

We assess ESG factors as credit-neutral. Social ESG factors material for companies operating in asset-heavy business services such as mobility services primarily include carbon emissions, fuel efficiency, climate costs, transition costs to electric vehicles, and product innovation.

ITK is committed to providing the full range of solutions for mobility services stakeholders, which include citizens, governments, local authorities, multinationals, small and medium-sized enterprises, in the fields of transport, IT, telecommunications and energy. The company aims to provide sustainable solutions, with low-emission alternatives to internal combustion engines.

[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

The business risk profile is supported by the moderate operating profitability and long-term customer contracts with medium service integration. The weak market share and high concentration in terms of customers, service offering and geographies are the constraints.

Industry risk profile: BB

ITK's industry risk is assessed at BB, reflecting the industry risk of business services (an asset-heavy balance sheet with an unspecialised workforce, leading to a BB industry rating) and the wholesaling of discretionary goods (also BB). The cyclicality and barriers to entry are medium for business services and low for discretionary wholesale. The risk of substitution is medium for business services and low for wholesale. Most of the weighting is determined by the business services industry, as ITK's public transport and business services contributed the majority of 2024 EBITDA, even though a larger part of revenues is generated by the wholesaling of vehicles, as in the previous year. From 2025 ITK discontinued manufacturing activities.

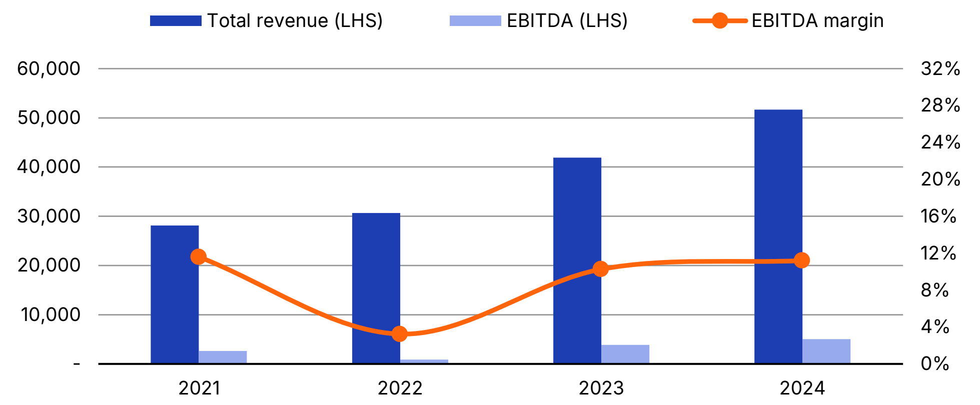
Long-term contracts provide stability to the market share

ITK's business risk profile is underpinned by its stable public transport services business. The company has five long-term contracts with municipalities (with 10 years or more from inception) for the provision of bus services in Hungary, with a high certainty of cost recovery over the term of the contracts. ITK also has smaller private contracts, mainly related to worker transport. The business risk profile benefits from a relatively modern bus fleet comprising 629 vehicles as of May 2025.

With revenues of around HUF 39bn (EUR 97m), ITK's size remains limited in both the European and the domestic context. However, its market share assessment is supported by the scalability of its services, the long-term contracts with high recurring revenues, and the requirements of public tenders that act as an entry barrier into the segment.

The discontinued manufacturing business will have a negligible effect on its market share as it contributed little to revenue in recent years (HUF 5bn in 2024).

Figure 1: Development of consolidated revenues and EBITDA (HUF m)



Sources: ITK, Scope estimates

After a temporary dip, EBITDA margin close to historical average

The EBITDA margin in 2024 (11.2%, up 1.0pp YoY) returned close to its historical average, positively influenced by the EBITDA generation of the transport business, which has high recurring revenues.

ITK's vehicle manufacturing business suffered heavy losses in both 2023 and 2024, with EBITDA margins at -37% and -42% respectively. ITK's reorganisation and rationalisation plan in previous years focused on the manufacturing business, which included optimising the workforce and real estate use to align with the anticipated changes in manufacturing from May 2024. These changes resulted in the closure of chassis manufacturing and a significant downsizing of all other activities as a first step, then the full discontinuation of manufacturing in 2025, including laying off around 100 workers.

General distribution, as a wholesale business, has inherently lower margins compared to the other segments. We anticipate EBITDA margins of general distribution to remain at around 3%, close to 2023 and 2024 levels. This is due to the forecasted increase in sales volumes and the improving economic environment, which should have a favourable impact on the sales of trucks and buses.

We expect that the discontinuation of the manufacturing business, in addition to the sustained strong profitability of transport services, will stimulate operating profitability in the medium term, with a gradual but steady improvement of EBITDA margin forecasted towards 13% until 2026.

Weaker diversification, increased focus on intragroup activities

Diversification is limited and even deteriorated in recent years. Concentration is high in service offerings (mostly in transport services, especially after the discontinuation of manufacturing) and in customers (bus services are provided in three of the top 10 cities in Hungary and under a nationwide contract for the National Swimming Association). Recently, intragroup sales also increased, especially for business services and in wholesale.

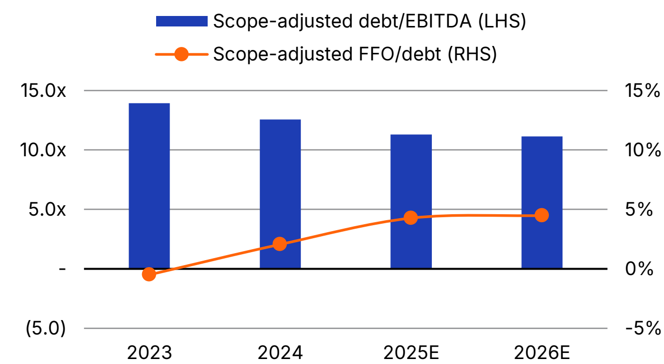
Moderate service strength driven by recurring income

ITK operates its bus lines under the brand of the local public provider (e.g. BKV in Budapest), so it has little brand strength of its own, which limits the service strength subscore. However, revenue stability and predictability are high, due to the majority of contracts being long term, the annual inflation indexation and the high switching costs for the customer. This is because few domestic companies have fleets of 600 buses. Service integration is moderate, with some customers, such as the National Swimming Association, receiving transport services exclusively from ITK.

8. Financial risk profile: CCC

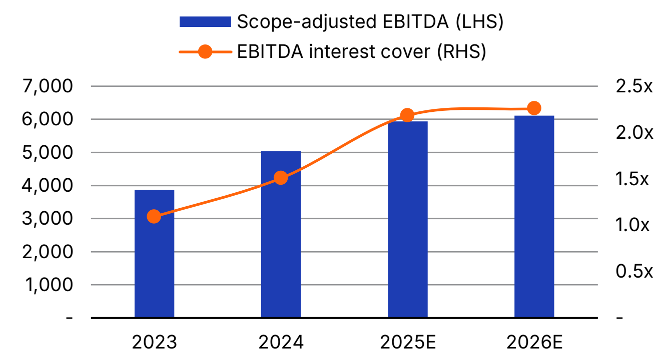
The financial risk profile of ITK is supported by the improving interest cover but remains constrained by high leverage and negative free operating cash flow until 2026.

Figure 2: Development of leverage metrics



Sources: ITK, Scope estimates

Figure 3: Development of EBITDA (HUF m) and EBITDA interest cover



Sources: ITK, Scope estimates

Leverage to be sustained at around 10.0x

Leverage, measured by debt/EBITDA is sustained at high levels, remaining close to 13x in 2024. As we consider the intercompany credit facility as part of the issuer's debt, the swap between intragroup and external financing sources does not result in deleveraging. We expect leverage to remain sustained above 10x in the medium term, as we expect profitability to remain relatively stagnant, with continued increase in the level of financial debt.

Moderate interest cover

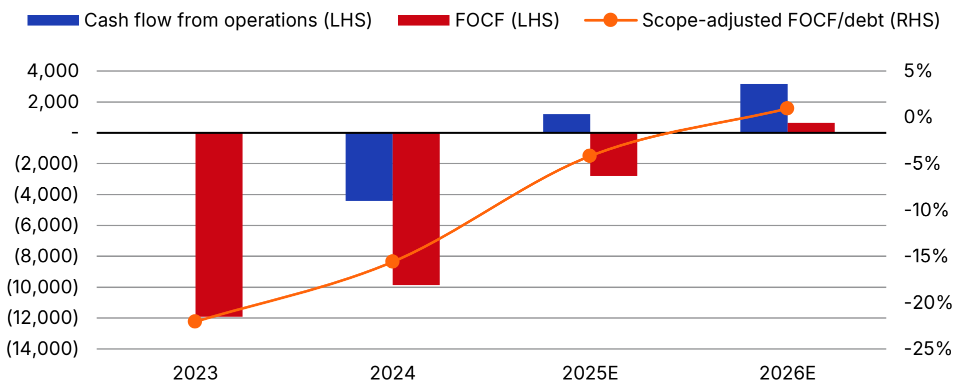
Interest cover remains the main positive driver of the financial risk profile, benefiting from the low rate (2.9%) on the HUF 20bn bond issued under the Hungarian bond funding for growth scheme. The metric increased to 1.5x in 2024 from below 1.0x in 2023 due to improving EBITDA generation, while interest expense remained relatively stagnant. As interest on the intercompany credit facility capitalises, we expect cash interest expense to gradual decrease towards HUF 2.7bn, moving interest cover sustainably above 2.0x from 2025.

Volatile free operating cash flow

High growth capex has resulted in significantly negative FOCF in recent years, including in 2024. Going forward, we expect capex to moderate, starting with HUF 4.0bn in 2025, down from

HUF 7.3bn in 2024, due to the end of the investment cycle and the start of the business rationalisation strategy. Together with cash from working capital (mainly from lower inventories), FOCF is expected to turn positive in 2026.

Figure 4: Cash flow development (HUF m)



Sources: ITK, Scope estimates

Adequate liquidity

Liquidity is assessed as adequate. Although available cash sources are insufficient to cover cash uses for 2025 (HUF 919m cash as at YE 2024 against negative HUF 2.7bn FOCF and HUF 5.6bn of short-term debt), MOL's support letter, indicating its ability and willingness to provide liquidity support if needed, eliminates short-term liquidity concerns.

We highlight that ITK's senior unsecured bonds 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 20bn) 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 days). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is one notch. We therefore see no significant risk of the rating-related covenant being triggered.

Table 1. Liquidity sources and uses (in HUF m)

	2024	2025E	2026E
Unrestricted cash (t-1)	745	919	480
Open committed credit lines (t-1)	2,500	0	0
FOCF (t)	-9,858	-2,799	646
Short-term debt (t-1)	8,200	5,626	4,088
Liquidity	**18%**	**11%**	**28%**

Sources: ITK, Scope estimates

9. Supplementary rating drivers: +3 notches

+3 notches for parent support

The three-notch uplift to the standalone credit assessment of B- reflects the strong support from parent MOL, which enhances ITK's financial stability, risk management and professional backing. ITK has significant strategic importance to MOL, forming part of its Mobility strategy through the key areas of car sharing, bike sharing, fleet management and public transport.

10. Debt rating

Senior unsecured debt rating: BB-

In 2021, ITK issued a HUF 20bn senior unsecured bond (ISIN: HU0000360631) under Hungary's bond scheme. Proceeds were used to refinance most of its debt. The fixed-rate bond has a 10-

year tenor, with yearly amortisation of 10% in 2027-2028 and 20% in 2029-2030, ending with a 40% bullet maturity in 2031.

We have upgraded the rating on senior unsecured debt to BB- from B+ now in line with the issuer rating. This reflects the replacement of senior secured debt, which ranks above the senior unsecured bond issued under the Hungarian scheme, with an intercompany loan ranking pari passu with all other unsecured debt. We expect an 'average' recovery for outstanding senior unsecured debt in a hypothetical default scenario in 2026, based on the liquidation value approach.

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