

Tegeta Motors LLC.

Georgia, Retail

Rating composition

Business risk profile		
Industry risk profile	BB	BB-
Competitive position	BB-	
Financial risk profile		
Credit metrics	BB-	BB-
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 credit ratios*	Scope estimates			
	2023	2024	2025 E	2026 E
Scope-adjusted EBITDA interest cover	3.5x	3.3x	3.0x	3.1x
Scope-adjusted debt/EBITDA	2.9x	3.1x	3.4x	3.1x
Scope-adjusted funds from operations/debt	24%	22%	19%	21%
Scope-adjusted free operating cash flow/debt	-17%	-8%	0%	0%
Liquidity	101%	172%	109%	267%

Rating sensitivities

The upside scenario for the rating and Outlook:

- Addressing the financing structure on a sustained basis by improving and spreading out the debt maturity profile (longer loan tenors), thereby ensuring sustainable liquidity in the long term.

The downside scenario for the rating and Outlook:

- Inability to improve the financial structure.

*All credit metrics refer to Scope-adjusted figures.

Issuer

BB-

Outlook

Negative

Senior unsecured debt

BB-

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Related methodologies

[General Corporate Rating Methodology](#), Feb 2025

[Retail and Wholesale Rating Methodology](#), Jun 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
<ul style="list-style-type: none">• Dominant market share in Georgia• Profitability is higher than peers thanks to complementary product portfolio• Stable leverage and interest cover underpinned by consistent EBITDA growth	<ul style="list-style-type: none">• Low geographical diversification as mainly present in Georgia and Caucasian region• Investment strategy restraining free operating cash flow, although the company is shifting to a more conservative investment phase

2. Rating Outlook

The Negative Outlook reflects the remaining risks and uncertainties of addressing the financing structure on a sustained basis, i.e. the possibility that refinancing upcoming maturities will result in new maturity walls in the short-to-medium term.

3. Corporate profile

Tegeta Motors is active in the retail of new cars, heavy duty equipment, buses, other commercial equipment and spare parts (including auto tyres, lubricants, and accumulators), as well as the provision of vehicle maintenance and repair through servicing facilities located in different regions of Georgia. The company owns 28 regional retail outlets and servicing facilities around Georgia and an administrative office in Tbilisi. Through its subsidiaries, Tegeta is the official retailer for Mazda, Toyota, Volvo, Porsche, Geely and Zeekr cars. It also services Man Truck & Bus AG (sale and aftersales of buses, trucks and specialised equipment), JCB, Renault (agricultural machinery manufacturer) and Liebherr (construction machine manufacturer). Tegeta is the largest importer of over 300 leading automotive brands in Georgia and the largest automotive company in the Caucasus and Central Asia.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
17 Jul 2025	Affirmation	BB-/Negative
26 Feb 2025	Under review placement	BB- Under review for a possible downgrade
17 Sep 2024	Outlook change	BB-/Negative

5. Financial overview (financial data in GEL m)

Scope credit ratios	Scope estimates					
	2022	2023	2024	2025E	2026E	2027E
EBITDA interest cover	2.4x	3.5x	3.3x	3.0x	3.1x	3.2x
Debt/EBITDA	3.6x	2.9x	3.1x	3.4x	3.1x	2.9x
Funds from operations/debt	16%	24%	22%	19%	21%	23%
Free operating cash flow/debt	9%	-17%	-8%	0%	0%	2%
Liquidity	>100%	>100%	>100%	>100%	>200%	>200%
EBITDA						
Reported EBITDA	92	161	168	186	218	257
add: recurring dividends from associates	0	0	0	-	-	-
Gain/losses on disposals	(1)	-	-	-	-	-
Other items (incl. one-offs) ¹	(0)	-	11	-	-	-
EBITDA	91	161	179	186	218	257
Funds from operations (FFO)						
EBITDA	91	161	179	186	218	257
less: interest	(38)	(47)	(55)	(63)	(71)	(79)
less: cash tax paid	(1)	(2)	-	(0)	(0)	(0)
Other non-operating charges before FFO	-	-	-	(5)	(6)	(7)
Funds from operations	52	113	124	118	141	170
Free operating cash flow (FOCF)						
Funds from operations	52	113	124	118	141	170
Change in working capital	37	(98)	(67)	(53)	(74)	(88)
Non-operating cash flow	-	-	-	(0)	(0)	(0)
less: capital expenditures (net)	(55)	(87)	(95)	(60)	(60)	(60)
less: lease amortisation	(5)	(5)	(7)	(7)	(7)	(7)
Free operating cash flow	29	(78)	(44)	(2)	(1)	15
Interest						
Net cash interest per cash flow statement	38	47	55	63	71	79
Interest	38	47	55	63	71	79
Debt						
Reported financial (senior) debt	338	463	546	647	698	798
less: cash and cash equivalents	(79)	(70)	(41)	(97)	(101)	(160)
add: non-accessible cash	39	35	20	48	50	80
add: other debt-like items	29	32	32	30	30	30
Debt	328	460	558	628	677	748

¹ Inventory write off

6. Environmental, social and governance (ESG) profile²

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

Our past assessment highlighted the significant gap between actual result and forecasts over the years reflecting a lack of visibility on company performance in the short to medium term. We highlight that the quality of management forecast has improved, with the 2024 forecast closer to the actual results.

ESG neutral

As a retailer and wholesaler of automotive vehicles and parts, Tegeta is exposed to environmental risk due to regulatory pressure for carbon neutral vehicles. Although the quest for zero emissions is directly driven by manufacturers, dealers' strategy depends on, and is therefore aligned with, the OEMs. As a consequence, car dealers need to constantly reassess the sustainability of their products and supply chains. Tegeta's strategy to reduce carbon emissions includes Tegeta Green Planet, established under the holding company and focusing on sustainable waste management solutions, including recycling and the treatment of different types of waste. The company's goal is to enhance environmental sustainability in Georgia through effective waste management practices and by promoting recycling and resource recovery.

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: BB-

As Tegeta is an automotive retailer, we classify the business as discretionary retail. We consider this to be a medium-cyclical industry with low entry barriers and low substitution risk. This translates into a BB industry risk profile rating.

Industry risk profile: BB

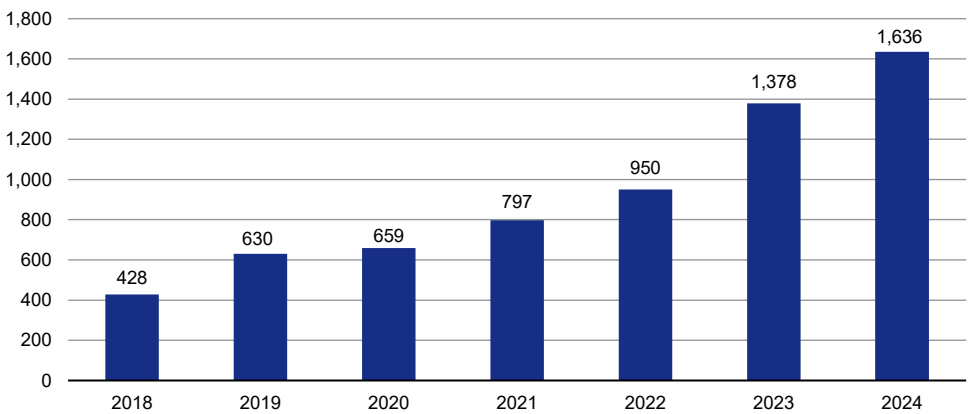
Tegeta's business risk profile is supported by its leading position in the domestic market, where it is a top player in both the light and heavy vehicle categories (including services and aftersales products). The issuer has distinguished itself in the market by having a high level of inventory availability, which ensures fast delivery to customers. While this has constrained net working capital in the past, Tegeta is working on better inventory management and extended payment terms. The company's size and market share help it to win exclusive brand contracts and large tenders. We therefore consider its position to be relatively protected from competitors.

Strong position in the domestic market...

Tegeta boasts a strong track record of revenue growth, averaging 24% annually over the last five years. Nevertheless, its current size presents a challenge to further significant uplift. With revenue of GEL 1,636m in 2024 (EUR 521m, an 18.7% increase year-over-year), the company is large in Georgia but small when benchmarked against international retail competitors.

...but small size poses volatility risk

Figure 1: Tegeta's top line growth (GEL m)



Source: Tegeta Motors, Scope

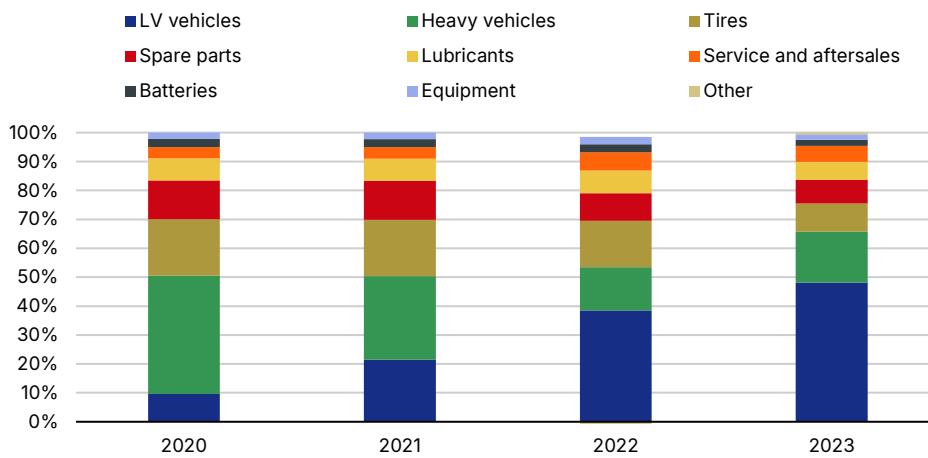
Geographical diversification has improved over the years. At present, around 27% of revenue is generated outside of Georgia and Tegeta plans to further grow the non-domestic business. Nonetheless, the issuer generates most of its revenue in the Caucasian region, exposing the business to volatile economic conditions typical of emerging markets.

Focus on Caucasian region

Diversification is also limited by the cyclical nature of the auto and parts product category. At the same time, Tegeta has demonstrated resilience even in times of economic downturn. This is due to continued inorganic growth, as well as a focus on services such as aftersales, maintenance and parts (31% of revenue in 2024) as well as a good share of revenue from public tenders, which ensures recurring revenue over time. The focus on different segments besides passenger cars, including construction equipment, industrial machinery, trailers and agricultural equipment, has also supported a diversified revenue stream.

Products belong to the same cyclical category...

...but with diversified services...

Figure 2: Sales split by product category in recent years

Source: Tegeta Motors, Scope

The customer portfolio is highly granular. As for most car retailers, the main demand is from private buyers. However, Tegeta also benefits from a good percentage of deals (fleet sales and lease sales) with corporate and government institutions. This reduces the risk of cash flow volatility and has ensured recurring revenues over time. In terms of suppliers, Toyota accounts for around 25% of sales, with the second largest suppliers (JCB and Porsche) accounting for around 17% of sales. We see no dependence on one manufacturer. Should Toyota decide to terminate the franchise agreement (unlikely) or change its business model in the future, we believe the issuer would be able to quickly compensate for the loss of revenue.

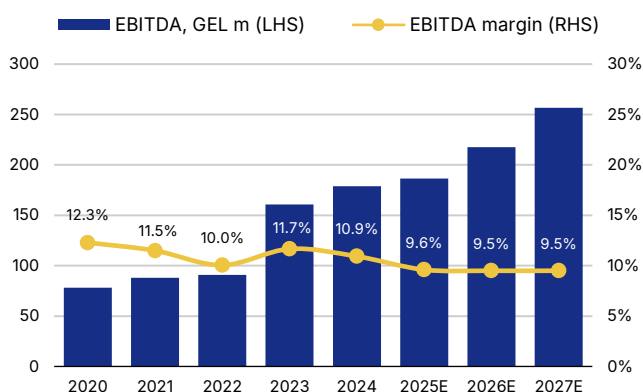
...and good portion of recurring revenue

Tegeta's profitability is the main positive driver of its business risk profile. With Scope-adjusted EBITDA margins averaging 11% over 2020-2024, the issuer outperforms the automotive sector average, which is typically in the single digit.

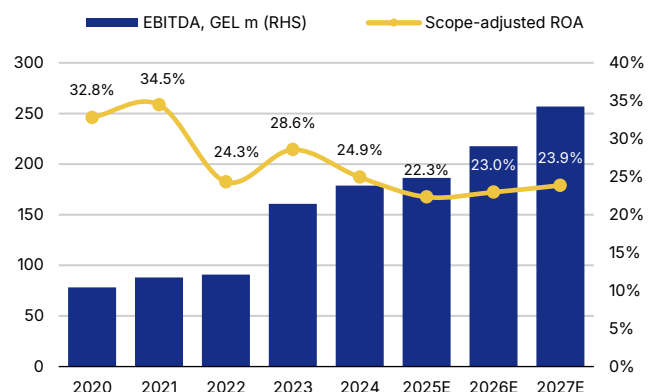
Strong profitability

While EBITDA continued to grow to GEL 179m in 2024 from GEL 161m in 2023, the EBITDA margin fell slightly due to a reduced gross margin. We expect the gross margin to decline further in 2025 as the strong pricing power car dealerships had in 2022 and 2023 (driven by supply chain disruptions) diminishes. Consequently, profitability is projected to range between 9% and 10% in the forecast period.

We measure operating efficiency using the EBITDA return on assets. The ratio has been gradually decreasing as a result of Tegeta's operational concept of stockpiling, which affords a competitive advantage in terms of delivery time. We expect it to remain between 20% and 25% in the future.

Figure 3: EBITDA margin

Source: Tegeta Motors, Scope estimates

Figure 4: EBITDA return on assets

Source: Tegeta Motors, Scope estimates

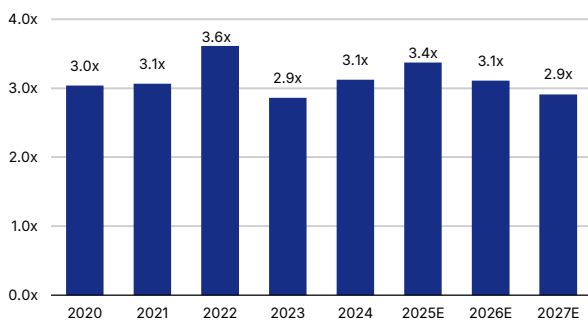
8. Financial risk profile: BB-

The financial risk profile is strengthened by moderate leverage, even with the issuer's ambitious growth strategy, thanks to continuous EBITDA growth.

We forecast an increase in leverage to 3.4x in 2025, as EBITDA growth slows and debt increases slightly. This is based on a significant bond issuance (GEL 260m) and a new loan of GEL 80m to finance the major project of the heavy vehicle shop in Gezi. However, in the medium to long term, we expect leverage to trend back towards 3x, supported by continued EBITDA growth and less accelerated expansion.

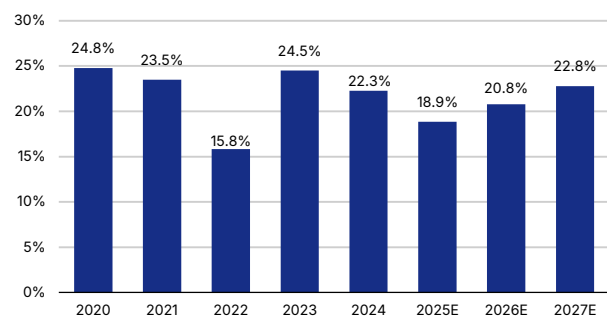
Leverage to remain below 4x

Figure 5: Debt/EBITDA



Source: Tegeta Motors, Scope estimates

Figure 6: Funds from operations/debt



Source: Tegeta Motors, Scope estimates

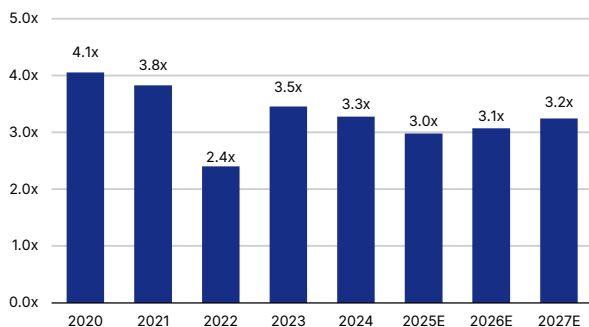
Interest cover is projected to remain within the 3x to 3.5x range, with temporary pressure in 2025 driven by the new bond and loan issuance. This forecast is based on the expectation that new debt will carry more favourable interest rates than past financing. Concurrently, EBITDA is projected to continue its growth trajectory. We consider this sustained interest cover level to be adequate, providing the issuer with sufficient financial flexibility to undertake additional financing if required.

EBITDA interest cover above 3x

The free operating cash flow/debt ratio remains the weakest of Tegeta's credit metrics. This is largely due to the company's expansion strategy and its tactic of maintaining high inventory levels, which has historically resulted in negative net working capital swings and elevated capex. While we anticipate that the ratio will stay close to 0 moving forward, an improvement is expected. This is because Tegeta is actively working on better inventory management and plans to slow down its investments, with projected capex of around GEL 75m per year from 2025-2027, a 30% reduction compared to 2024.

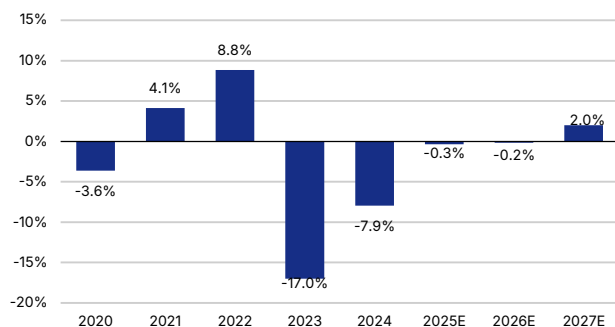
Free operating cash flows to remain close to zero

Figure 7: EBITDA interest cover



Source: Tegeta Motors, Scope estimates

Figure 8: Free operating cash flow/debt



Source: Tegeta Motors, Scope estimates

The previous assessment of inadequate liquidity was due to a significant increase in two-year tenor bonds, which created a substantial wall of maturities. Internal funds will be insufficient to refinance these bonds, especially with projected negative or break even free operating cash flow.

Adequate liquidity

The issuer plans to cover a GEL 377m debt repayment in 2025 (including GEL 290m in bonds, of which GEL 54m has been already refinanced in April 2025) with a new GEL 260m bond. However, this new bond will not be issued until December 2025. While the final terms of this new bond are still being agreed, the Group's primary objective is to extend the maturity profile of its debt, with an anticipated tenor of between three and five years for the new issuance. In the interim, the issuer has secured a GEL 250m credit facility. When combined with internal liquidity sources (available cash and liquid inventory), this facility fully covers the upcoming debt repayment.

While we still expect that the issuer can refinance the bond maturing in 2025, this additional credit line provides comfort that debt repayment obligations are covered for the next few years. Therefore, we have revised its liquidity assessment to adequate.

Table 1: Liquidity sources and uses (in GEL m)

	2024	2025 E	2026 E
Unrestricted cash (t-1)	70	41	97
Open committed credit lines (t-1)	100	250	250
FOCF (t)	(44)	(2)	(1)
Liquid inventory (t-1)	109	122	141
Short-term debt (t-1)	118	377	182
Liquidity	>100%	>100%	>200%

Source: Tegeta Motors, Scope estimates

9. Debt ratings

We affirm the BB- rating of Tegeta’s senior unsecured debt. Recovery is based on the liquidation value in a hypothetical default scenario in 2027. This results in GEL 1,113m available to creditors compared to GEL 344m of secured bank debt, GEL 418m of trade payables and GEL 400m of senior unsecured debt (assumed to be the outstanding bond in December 2027). We expect an above average recovery of the senior unsecured debt, but also note the potential volatility in the company’s capital structure and the high sensitivity of the recovery to achievable advance rates and we have therefore refrained from up notching the rating.

Senior unsecured debt rating: BB-

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