SCOPE | Ratings

AutoWallis Nyrt.

Hungary, Retail

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	7.5x	9.9x	3.9x	4.4x
Scope-adjusted debt/EBITDA	2.7x	4.4x	4.3x	3.9x
Scope-adjusted funds from operations/debt	28%	14%	15%	19%
Scope-adjusted free operating cash flow/debt	-8%	6%	-1%	-8%
Liquidity	>100%	>200%	>200%	>100%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Debt/EBITDA significantly below 4x on a sustained basis

The downside scenario for the ratings and Outlook:

- Debt/EBITDA significantly above 5x on a sustained basis

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

Issuer

B+

Outlook

Stable

Senior unsecured debt

B+

Lead Analyst

Claudia Aquino
+49 30 27891-599
c.aquino@scoperatings.com

Related methodologies

General Corporate Rating Methodology, February 2025

Retail and Wholesale Rating Methodology, June 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Solid market share in premium category in Hungary (50% for BMW, 80% for Mini) • Good geographical and brand diversification • Good interest cover	• Increasing leverage driven by debt-financed acquisitions • Negative free operating cash flow driven by high capex and leasing payments • Small size in European context • Small market share in the retail business

2. Rating Outlook

The **Stable Outlook** reflects our expectation that leverage will remain at around 4x in 2025 and 2026

3. Corporate profile

AutoWallis Nyrt. is a Hungarian holding company operating as a wholesaler and retailer of vehicles, automotive parts and accessories. It also provides repairs, maintenance and long and short term mobility services (including long- and short-term rental and car-sharing).

The company also operates outside of Hungary, active in wholesale (57% of revenue in 2024) in 16 Central and Eastern European countries: Albania, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Kosovo, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia. In these markets, it is the official distributor for Opel, Jaguar, Land Rover, KGM, Isuzu, Renault, Dacia, Alpine, Nissan, Farizon, and MG and Saab parts.

In retail, AutoWallis is present in Hungary, Slovenia and the Czech Republic, operating Sixt's rent-a-car service and franchises for BMW passenger cars and motorcycles, Mini, Mercedes-Benz, Isuzu, Jaguar, Land Rover, Maserati, Opel, Nissan, Kia, Toyota, Renault, Dacia, Peugeot, BYD, Ford, Suzuki and KGM.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
1 Jul 2025	Affirmation	B+/Stable
3 Jul 2024	Outlook change	B+/Stable
7 Jul 2023	Outlook change	B+/Positive

5. Financial overview (financial data in HUF m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	22.5x	7.5x	9.9x	3.9x	4.4x	4.9x
Debt/EBITDA	3.5x	2.7x	4.4x	4.3x	3.9x	3.3x
Funds from operations/debt	26%	28%	14%	15%	19%	24%
Free operating cash flow/debt	-18%	-8%	6%	-1%	-8%	-4%
Liquidity	247%	164%	275%	210%	187%	196%
EBITDA						
Reported EBITDA	14,755	19,701	19,977	19,891	26,046	39,024
add: recurring dividends from associates	-	-	-	438	438	438
Other items (incl. one-offs)[1]	-	-	32	-	-	-
EBITDA	**14,755**	**19,701**	**20,009**	**20,329**	**26,484**	**39,462**
Funds from operations (FFO)						
EBITDA	14,755	19,701	20,009	20,329	26,484	39,462
less: interest	(656)	(2,625)	(2,030)	(5,270)	(6,039)	(8,100)
less: cash tax paid	(1,363)	(2,154)	(2,983)	(1,023)	(2,301)	(4,525)
Other non-operating charges before FFO[2]	727	-1	(3,013)	(689)	1,715	3,989
Funds from operations	**13,463**	**14,921**	**11,983**	**13,347**	**19,859**	**30,826**
Free operating cash flow (FOCF)						
Funds from operations	13,463	14,921	11,983	13,347	19,859	30,826
Change in working capital	(15,458)	(13,804)	2,868	7,310	(6,764)	(10,317)
Non-operating cash flow	388	-	-	-	-	-
less: capital expenditures (net)	(5,996)	(1,963)	(2,369)	(14,392)	(15,172)	(18,460)
less: lease amortisation	(1,509)	(4,563)	(7,488)	(7,352)	(6,494)	(7,106)
Other items	23	1,210	-	-	-	-1
Free operating cash flow	**(9,089)**	**(4,199)**	**4,994**	**(1,087)**	**(8,571)**	**(5,058)**
Interest						
Net cash interest per cash flow statement	656	2,625	2,030	5,270	6,039	8,100
Interest	**656**	**2,625**	**2,030**	**5,270**	**6,039**	**8,100**
Debt						
Reported financial (senior) debt	51,608	52,400	87,463	88,021	101,974	130,063
less: cash and cash equivalents	(16,887)	(13,097)	(24,422)	(19,034)	(10,708)	(9,866)
add: non-accessible cash[3]	16,887	13,097	24,422	19,034	10,708	9,866
Debt	**51,608**	**52,400**	**87,463**	**88,021**	**101,974**	**130,063**

[1] Change in provision

[2] Included changes in lease receivables and non-interest-bearing liabilities

[3] No cash netting applies for ratings below BB category as per methodology

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

ESG credit-neutral

Overall ESG factors are considered credit neutral.

The automotive industry has a high exposure to environmental risks due to regulatory incentives for carbon-neutral vehicles. Car dealers are indirectly exposed to the same risks as producers, and their mitigation strategy follows and mirrors those of automakers.

AutoWallis' sustainability strategy focuses on the environmental objectives of climate change mitigation and pollution prevention and control. To this end, AutoWallis plans to i) offer environmentally friendly mobility solutions such as car sharing and short- and long-term car rentals; ii) increase its fleet electrification rate by growing its share of fully electric or hybrid models; and iii) use investments to improve the energy efficiency of its real estate portfolio (dealership buildings and showrooms) and reduce its direct and indirect carbon footprint and environmental impact.

The sustainability strategy also includes the use of green bonds and loans to fund a portion of its investment. It has established its own green finance framework, which was developed in line with the International Capital Market Association's new Green Bond Principles and the Loan Market Association's Green Loan Principles. To enhance transparency, AutoWallis has appointed external reviewer Sustain Advisory to provide a second-party/assurance opinion on its green finance framework.

[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: BB-

Our assessment of the business risk profile reflects the company's brand and geographical diversification, which limits revenue volatility risk, but it is constrained by its small size compared to the wider retail industry.

Industry risk profile BB

AutoWallis operates as a retailer and wholesaler in the automotive industry, which we classify as discretionary retail with low barriers to entry, low substitution risk and medium cyclicality. We rate the industry risk at BB.

Small size...but potential for growth

AutoWallis has demonstrated continued growth, with revenues reaching HUF 398bn (EUR 0.9bn) in 2024, up from HUF 360bn in 2023. Despite this expansion, the issuer maintains a modest footprint within the European retail industry. Nonetheless, the European market's substantial fragmentation provides AutoWallis a clear pathway for increased size via mergers and acquisitions, consistent with the recent consolidation trend within the automotive market.

Important acquisitions in 2024

Over the last 12 months, the group opened new operations and acquired franchises, the most relevant of which was in December with the acquisition of Milan Král Group in the Czech Republic. This acquisition allowed AutoWallis to expand its portfolio with new brands (retail sales of Mercedes-Benz and Ford) and activities (sales and services of Mercedes-Benz Trucks).

Followed by a more cautious approach in 2025

We project AutoWallis to continue its expansion with a focus on non-domestic markets. However, current macroeconomic uncertainty is expected to lead to a more conservative acquisition strategy in 2025 before the consolidation plan resumes in 2026.

Relatively weak market share in retail...

In retail, the group is active in Hungary and Slovenia and recently entered the Czech market. It is a small player, with a market share in 2024 of 5.1% in Hungary (up from 4.7% in 2023), 2.6% in Slovenia (up from 2.5% in 2023) and 0.1% in the Czech Republic.

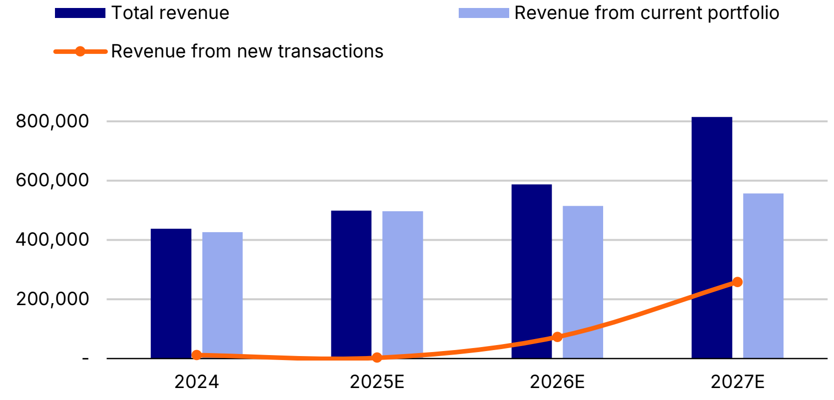
...but solid position as BMW dealer

On a positive note, the group has a strong BMW retail market share in Hungary and Slovenia, holding above 50% in both countries and dominating the premium segment. Upon entering the Czech Republic, AutoWallis immediately gained a 5% market share, and we expect this to reach 10% in the medium to long term. We consider the entry of a new BMW dealer in Hungary unlikely as BMW determines the number of its dealers in each area and an overly competitive market is against its interests. AutoWallis' established and long-standing partnership with BMW also provides a significant layer of protection for its position as a dealer in Hungary.

Exclusive distribution in wholesale support competitive positioning

In wholesale, AutoWallis benefits from being the exclusive distributor of several brands in Central and Eastern Europe (Jaguar, Land Rover, Opel, Isuzu, KMG, Renault, Dacia, Alpine) with a market share in its home country of 12.8% in 2024 (13.5% in 2023). The group's market share in Slovenia is 3.2% in 2024 (3.7% in 2023) and in Croatia is 6.73% (6.65% in 2023). In the other countries, market shares remain insignificant at around 1%. We believe the exclusive distribution of various brands gives AutoWallis a comfortable position in these markets and the expected expansion will improve its pricing power.

Figure 1: AutoWallis' organic and inorganic revenue growth (HUF m, company forecast)



Source: AutoWallis, Scope estimates

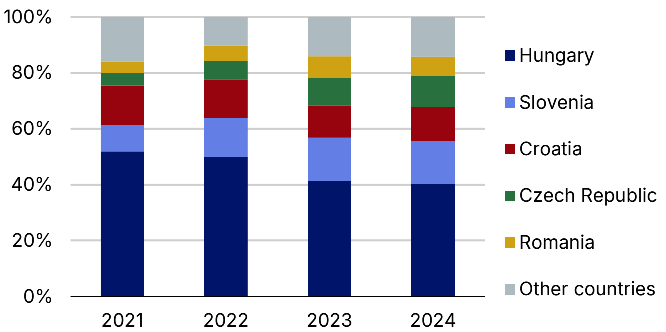
After consolidating its domestic presence, AutoWallis is focusing on surrounding countries and has been reducing its dependency on Hungary over the years. In 2024, Hungary accounted for 40% of sales (unchanged YoY). We believe the company will further expand in Central Europe, driven by significant consolidation opportunities in the region's highly fragmented market. This view is supported by the substantial investments: HUF 12.6bn in acquisitions in 2024 and HUF 30bn planned for 2026 and 2027.

Good geographical outreach…

The brand portfolio has relatively good granularity as AutoWallis covers both the premium segment (BMW, Mercedes-Benz, Mini, BYD, Maserati and JLR) and the low-medium segment with all major brands. The group continues to expand its brand portfolio. After acquiring distribution rights for Renault in 2022, AutoWallis agreed with BMW to enter the Czech retail market in March 2024. It also acquired the right to be exclusive distributor for Farizon (a new energy commercial vehicle manufacturer), while the 2024 acquisition of Milan Král Group gave the issuer control of Mercedes and Ford franchises in the Czech Republic. While we expect the portfolio to continue to diversify over the next three years in line with AutoWallis' growth strategy, we note the current dependency on just three brands, which generated 84% of new car sales in 2024. However, this is not a risk as AutoWallis has strong relationships with its main suppliers, BMW and Opel, which also recently extended the contract in Hungary and three other countries for five years.

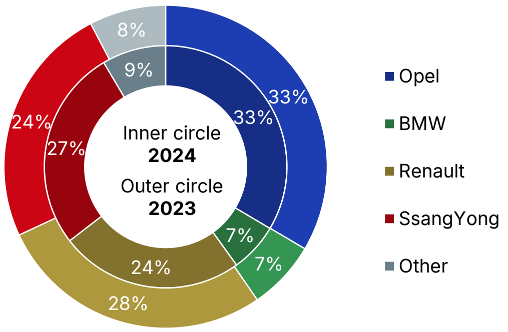
…and brand diversification

Figure 2: Revenue by country



Source: AutoWallis, Scope

Figure 3: Revenue by brand distributed



Source: AutoWallis, Scope

Diversification remains limited by the inherent cyclicality of AutoWallis' products, which are in the automotive sector. The susceptibility to macroeconomic downturns is partially mitigated by the issuer's exposure to leasing (more recurring revenues than car sales) and less-cyclical after-sales services.

Product cyclicality constrains diversification assessment

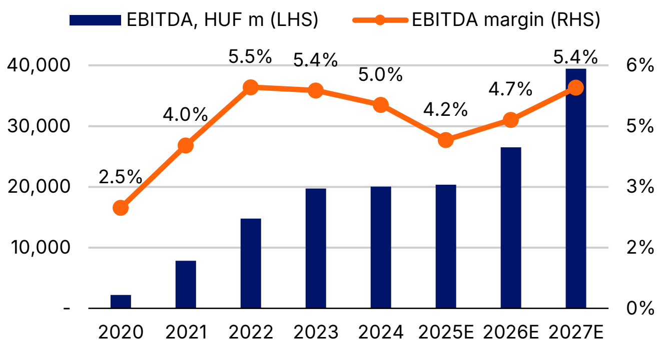
Profitability, measured by the EBITDA margin, has been exceptionally high, at around 5.5% in 2022 and 2023, largely attributable to supply chain disruptions that led to an increase in average car prices.

While in 2024 the margin trended down to 5%, underpinned by a higher cost of sales, we expect a further decline to around 4% in 2025. This decline is primarily due to a lower gross margin as some manufacturers were unable to provide a favourable pricing mix, exacerbated by a rise in IT and sales costs. After 2025, management expects profitability to improve as more favourable pricing is projected, with the positive effects expected to materialise in the second half of 2025 and more significantly in 2026, when profit margins are projected to gradually return towards 5%. Besides this, IT developments are projected to optimise the operational cost structure from 2026.

Profitability projected to temporarily decline

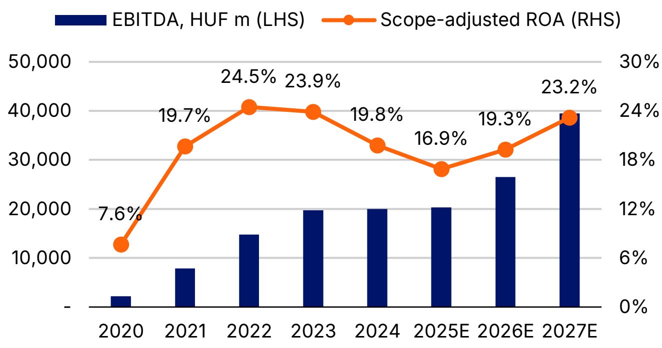
The Scope-adjusted EBITDA return on assets declined to 19.8% in 2024 from 24% in 2023. This reduction was driven by an investment phase that was not offset by higher EBITDA. This metric is expected to decrease further in 2025, with EBITDA anticipated to remain steady. However, from 2026, EBITDA is projected to grow, while the improved efficiency of inventory management will also reduce average inventory days.

Figure 4: EBITDA margin



Source: AutoWallis, Scope estimates

Figure 5: EBITDA return on assets



Source: AutoWallis, Scope estimates

8. Financial risk profile: B+

EBITDA growth to slow

AutoWallis' financial risk profile had been supported by EBITDA growth that allowed deleveraging and strong interest cover in 2022/23. However, financial metrics have deteriorated from 2024 amid increased debt and weak EBITDA.

Leverage to remain above 4x for 2025…

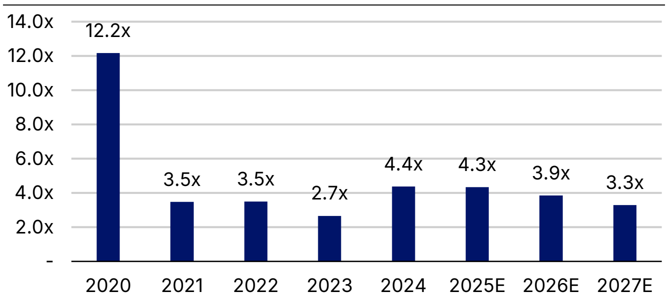
Leverage, as measured by the debt/EBITDA ratio, increased to 4.4x in 2024 from 2.7x in 2023. This rise was primarily driven by the anticipated expansion phase, which included a EUR 20m bond issuance in 2024, coupled with slower EBITDA growth.

We anticipate this ratio will remain above 4x in 2025. This will be due to stable EBITDA resulting from reduced gross margins and elevated sales and IT development costs. However, these development costs are expected to yield benefits from 2026, supporting a renewed increase in EBITDA as expansion plans resume. Consequently, we project leverage to gradually reduce from 2026 and fall below 4x from 2027. While we project additional debt financing in 2026 and 2027, the higher debt as a result is largely anticipated to be proportional to operational growth and offset by rising EBITDA.

…but cautious approach to expansion mitigates risk of further increase

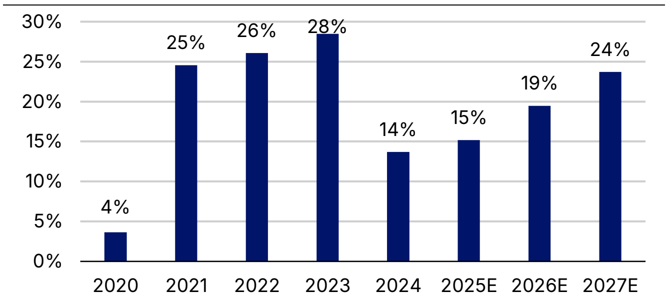
We view positively the decision to resume acquisitions to 2026 as this mitigates execution risk, particularly given the projected steady EBITDA and the anticipated market uncertainty through 2025 underpinned by prevailing macroeconomic turbulence.

Figure 6: Debt/EBITDA



Source: AutoWallis, Scope estimates

Figure 7: Funds from operations/debt



Source: AutoWallis, Scope estimates

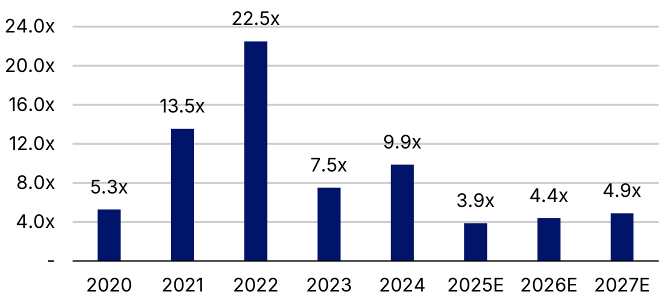
Interest cover weakened by new debt

We project the average cost of debt to remain relatively stable through the forecast period. However, we anticipate the interest coverage ratio to decline to around 4x from 9.9x, settling in a range of between 4x and 5x in our rating case. This will be driven by an increase in leasing obligations and the EUR 15m/HUF 6bn bank debt issued in January 2025, which was secured for working capital and investment needs, coupled with steady EBITDA. While we expect total debt to rise further in 2026 and 2027 alongside anticipated operational growth, we also expect EBITDA to offset this increase following a weaker 2025 with steady EBITDA.

After an improvement in 2024, driven by inventory management optimization, we anticipate free operating cash flow to remain negative into the medium term. High capex is expected in 2025-2027 for the opening of a big site in Budapest (HUF 8bn in two years), the new acquisitions and the renewal of the fleet vehicles.

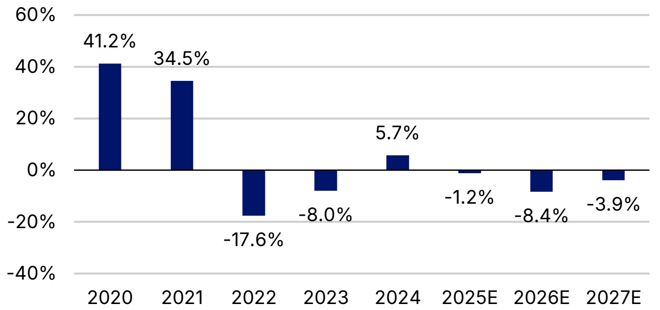
Cash flow to return to negative after a temporary improvement in 2024

Figure 8: EBITDA interest cover



Source: AutoWallis, Scope estimates

Figure 9: Free operating cash flow/debt



Source: AutoWallis, Scope estimates

AutoWallis' liquidity is adequate considering that a substantial part of its short-term debt is inventory financing. Inventory loans and reverse factoring are repaid when inventory is sold, and the direct financing of each vehicle ensures that each loan is 100% covered by that vehicle.

Adequate liquidity

We highlight that AutoWallis' two 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 9.7bn) if the debt rating of the bonds stays below B+ for more than two years (grace period) or drops below B- (immediate repayment). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is zero notches. We therefore see a moderate risk of the rating-related covenant being triggered.

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

	2024	2025E	2026E
Unrestricted cash (t-1)	13,097	24,422	19,034
Liquid inventory (t-1)	46,819	55,920	52,400
Free operating cash flow (t)	4,994	(1,087)	(8,571)
Short-term debt (t-1)	23,642	37,164	29,659
Liquidity	**>200%**	**>200%**	**>100%**

Source: AutoWallis, Scope estimates

9. Debt rating

We have affirmed the B+ rating of the senior unsecured debt issued by AutoWallis. The recovery analysis is based on the liquidation value in a hypothetical default scenario in 2027, resulting in HUF 135bn being available to creditors after deducting 10% administrative claims. This compares to HUF 128bn senior secured debt (trade payables and inventory financing) and HUF 18bn senior unsecured loans with an average recovery rate (38%).

Senior unsecured debt rating: B+

AutoWallis has two bonds issued under the Hungarian Central Bank's Bond Funding for Growth Scheme. In April 2020, it issued a HUF 3bn senior unsecured bond (ISIN: HU0000359476). The bond has a tenor of 10 years and a fixed coupon of 3.0%. Bond repayment is in one tranche at the maturity date in April 2030. In July 2021, AutoWallis issued a HUF 6.7bn senior unsecured green bond (ISIN: HU0000360664). The bond has a tenor of 10 years and a fixed coupon of 3.0%. Bond repayment is in five tranches starting in 2026 (10% of face value payable each year from 2026 to 2030) and 50% balloon payment in 2031.

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

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