

# Vöröskő Kft.

Hungary, 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			
	2024	2025	2025/26E	2026/27E
Scope-adjusted EBITDA interest and lease cover	2.1x	2.1x	2.2x	2.3x
Scope-adjusted debt/EBITDA	2.1x	1.8x	1.8x	1.7x
Scope-adjusted funds from operations/debt	46%	51%	50%	53%
Scope-adjusted free operating cash flow/debt	14%	36%	7%	10%
Liquidity	>200%	>200%	>200%	>200%

## Rating sensitivities

### The upside scenario for the ratings and Outlook is:

- Improved business risk profile with significant growth in size and geographic reach, a scenario considered remote at present

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

- Debt/EBITDA approaching 4x
- EBITDA and operating leases cover approaching 1.7x

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

Issuer

BB

Outlook

Stable

Senior unsecured debt

BB

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### Related methodologies

General Corporate Rating  
Methodology, Feb 2025  
Retail and Wholesale Methodology,  
Jun 2025

### Table of content

- Key rating drivers
- Rating Outlook
- Corporate profile
- Rating history
- Financial overview (financial data in HUF m)
- Environmental, social and governance (ESG) profile
- Business risk profile: BB-
- Financial risk profile: BB+
- Debt rating

1. Key rating drivers

Positive rating drivers	Negative rating drivers
<ul style="list-style-type: none"><li>• Solid credit metrics supported by the absence of bank loans and most debt being at a fixed interest rate</li><li>• Strong and stable market position in Hungary</li><li>• Good diversification across two consumer product categories</li></ul>	<ul style="list-style-type: none"><li>• Small size compared to international competitors</li><li>• Geographical concentration in Hungary, limiting the size of the group and exacerbating the correlation to the country's economy</li></ul>

2. Rating Outlook

The Stable Outlook reflects our expectation that leverage will remain at around or below 2x, supported by EBITDA growth and the absence of additional financing needs. We also expect debt protection to remain stable, given that interest expenses are largely fixed and lease obligations are increasing in line with EBITDA.

3. Corporate profile

Established in 1996 as a local purchasing cooperating brand, Vöröskő has since developed into one of the leading consumer electronics retailers in Hungary. Since joining purchasing alliance Euronics in 2001, the group has increased its international branding and improved its access to international suppliers. Vöröskő has the largest number of stores dedicated to electronic goods in Hungary, cementing its position in the country. The group currently has more than 900 employees.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
12 Dec 2025	Affirmation	BB/Stable
16 Dec 2024	Affirmation	BB/Stable
15 Dec 2023	Affirmation	BB/Stable

## 5. Financial overview (financial data in HUF m)

Scope credit ratios	Scope estimates					
	2023	2024	2025	2025/26E	2026/27E	2027/28E
EBITDA interest and operating lease cover	2.5x	2.4x	2.1x	2.1x	2.2x	2.3x
Debt/EBITDA	2.2x	2.1x	1.8x	1.8x	1.7x	1.5x
Funds from operations/debt	43%	46%	51%	50%	53%	61%
Free operating cash flow/debt	29%	14%	36%	7%	10%	17%
Liquidity	No short-term debt	>200%	No short-term debt	No short-term debt	>200%	>200%
<b>EBITDA</b>						
Reported EBITDA	3,086	3,042	3,081	3,202	3,553	3,997
add: operating lease payments	2,675	2,616	3,003	3,123	3,248	3,378
add: recurring dividends from associates	-	-	-	-	-	-
less: capitalised expenses	-	-	-	-	-	-
Other items (incl. one-offs)	125	(163)	(206)	-	-	-
<b>EBITDA</b>	<b>5,886</b>	<b>5,495</b>	<b>5,878</b>	<b>6,325</b>	<b>6,801</b>	<b>7,375</b>
<b>Funds from operations (FFO)</b>						
EBITDA	5,886	5,495	5,878	6,325	6,801	7,375
less: interest	(242)	(202)	(397)	(526)	(533)	(554)
less: cash tax paid	(117)	(114)	1	(90)	(104)	(118)
Funds from operations	<b>5,527</b>	<b>5,179</b>	<b>5,482</b>	<b>5,709</b>	<b>6,164</b>	<b>6,703</b>
<b>Free operating cash flow (FOCF)</b>						
Funds from operations	5,527	5,179	5,482	5,709	6,164	6,703
Change in working capital	2,462	(223)	1,601	(862)	(434)	(343)
Non-operating cash flow	-	(9)	-	-	-	-
less: capital expenditures (net)	(2,106)	(1,229)	(797)	(1,500)	(2,000)	(1,800)
less: lease amortisation	(2,140)	(2,093)	(2,403)	(2,499)	(2,599)	(2,702)
<b>Free operating cash flow</b>	<b>3,743</b>	<b>1,625</b>	<b>3,883</b>	<b>848</b>	<b>1,131</b>	<b>1,858</b>
<b>Interest</b>						
Net cash interest per cash flow statement	(293)	(321)	(204)	(99)	(116)	(121)
add: interest component, operating leases	535	523	601	625	649	675
<b>Interest</b>	<b>242</b>	<b>202</b>	<b>397</b>	<b>526</b>	<b>533</b>	<b>554</b>
<b>Debt</b>						
Reported financial (senior) debt	7,154	7,109	7,071	7,071	6,366	5,661
less: cash and cash equivalents	(5,029)	(6,192)	(8,333)	(8,201)	(7,828)	(8,181)
add: operating lease obligations	10,700	10,464	12,013	12,493	12,994	13,513
<b>Debt</b>	<b>12,825</b>	<b>11,380</b>	<b>10,751</b>	<b>11,363</b>	<b>11,532</b>	<b>10,993</b>

## 6. Environmental, social and governance (ESG) profile<sup>1</sup>

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

Vöröskő's home market has a country retail strength of 'high-medium'. As such, we expect ESG considerations to be part of its long-term strategy.

ESG neutral

In the ESG analysis, reputational risk is a major criterion for the social aspect of a retailer. For example, product or labour management that has a negative social impact may prompt consumer boycotts, affecting sales, margins and inventory value.

Discretionary retailers such as Vöröskő are under increasing pressure to ensure the sustainability of their products, namely in terms of durability and repairability. Strong commitment in this regard is likely to improve brand value.

The group is well positioned in terms of recycling by taking back and then disposing of old devices. While this feature is common for many large stores in western Europe, it is less so for a company in Central and Eastern Europe, signalling good ESG commitment.

<sup>1</sup> 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-

The assessment of the business risk profile is based on the company’s strong position in the Hungarian market and its solid product range, but it is constrained by its small size and limited geographical reach.

Industry risk profile: BB

Vöröskő operates in discretionary retail, a segment we consider having medium cyclicalit

The issuer maintained a 13%–17% market share in Hungary in FY 2025, behind market leader Ceconomy (BBB-/Stable). We believe this market position is well protected against competitors, supported by the issuer’s presence in both brick-and-mortar and online channels (around 10% of sales), as well as its membership in Euronics International Ltd. (Europe’s largest consumer electronics buying group), which provides brand recognition and pricing power.

Consolidated market share in Hungary...

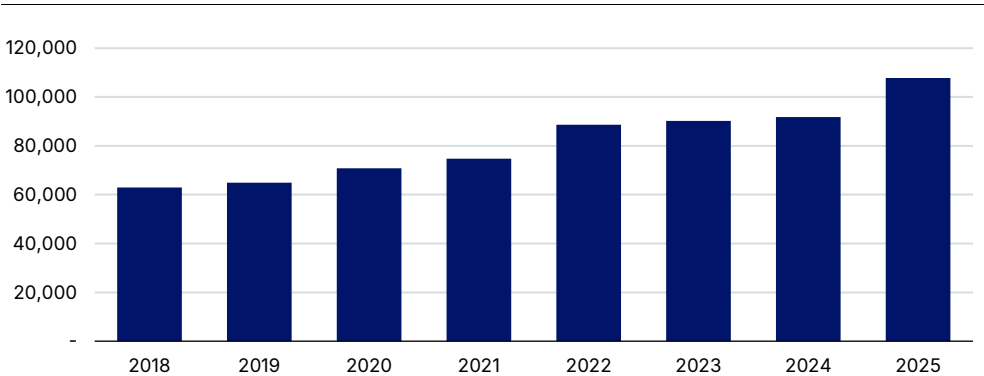
Besides Ceconomy, the issuer’s other major competitor is online retailer Extreme Emag, which, due to continued losses, closed its local warehouse in 2025. We believe this presents a further opportunity for Vöröskő to increase its market share. Other competitors are very small and lack the investment capacity to keep up with the market.

...and potential for growth

Nonetheless, with HUF 108bn (EUR 0.25bn) in revenue in FY 2025 (+17% YoY), the issuer’s small scale limits its ability to diversify and benefit from economies of scale.

Small scale limits assessment

Figure 1: Revenue evolution (HUF m) by year



Source: Vöröskő, Scope

The lack of geographical diversification also limits the business risk profile, as most of Vöröskő’s revenues are generated in Hungary and the recent entry into the Croatian market is projected to contribute only minimal revenue in the medium term.

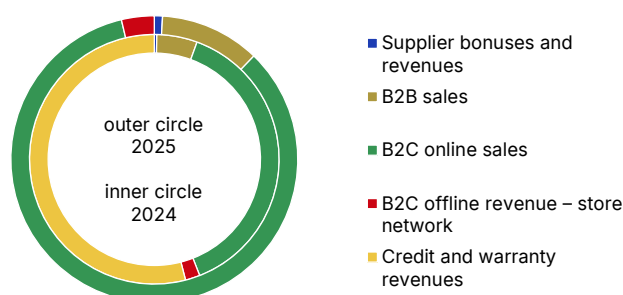
Revenue concentration in Hungary

Product diversification is good. Vöröskő offers a wide range of household appliances and consumer electronics. The latter are more sensitive to intra-year seasonality (Black Friday, Christmas), technological changes and logistics disruption as the products are often shipped from distant suppliers. Going forward, we expect Vöröskő to continue to offer a diversified range of products, supported by its high storage capacity.

Good product diversification across two categories

However, we highlight a certain sales concentration in the large and small domestic appliance segments which accounted for a significant portion of total sales in FY2025, broadly unchanged from the prior year. Supplier concentration remains moderate, with the top five suppliers contributing a substantial share of revenue, similar to the previous year. While such concentration could represent a potential risk, we view it as credit-neutral given the issuer’s long-standing relationships with key suppliers—averaging 25 years—which support favorable payment terms and increasingly beneficial arrangements.

Figure 2: Sales by segment



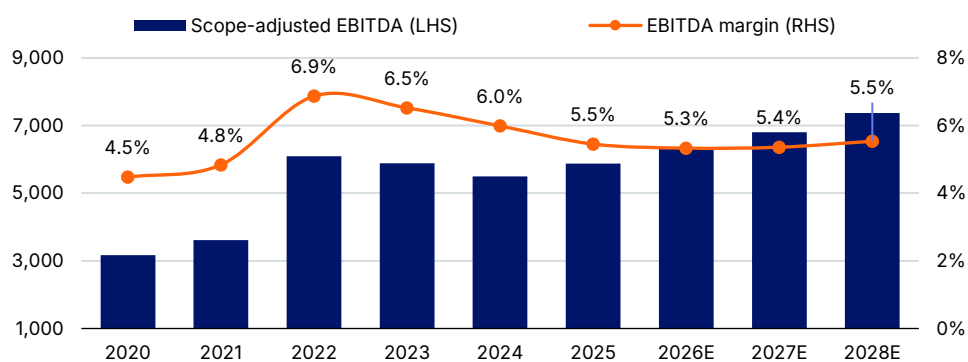
Source: Scope, Vöröskő

Profitability, measured by the EBITDA margin, declined to 5.1% in 2025 from 6% in 2024. This was driven by i) the issuer's focus on market share maintenance; and ii) the higher retail tax in the last financial year as the amount is based on turnover. The retail tax threshold has been changed for the next financial year, implying a lower burden for the issuer.

Profitability pressured by competitive environment

We expect the profit margin to remain relatively stable over the forecast period, supported by consistent inflation levels and steady gross margins. We see limited opportunities to expand the EBITDA margin in the medium term. The entry into Croatia in 2025 is likely to yield modest returns, though potential losses should be contained given that both markets will be operated without physical locations or warehouse infrastructure. Intense competitive pressures and the limited contribution from ancillary services will also limit margin growth.

Figure 3: EBITDA margins



Source: Vöröskő, Scope estimates

## 8. Financial risk profile: BB+

The financial risk profile benefits from limited leverage, underpinned by strong cash generation.

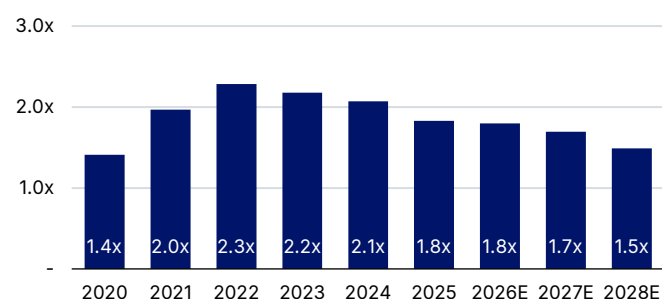
Moderate leverage

The debt/EBITDA ratio has been constantly below 3x, benefiting from the strong cash position and limited debt financing.

Debt consists of the HUF 7bn bond, which starts amortising in 2027, a HUF 71m facility loan as of FY 2025, and operating leases of HUF 12bn in 2025 (calculated as annual operating lease payments multiplied by four), assumed to increase by 4% in the forecast period. Going forward we expect debt to remain stable and support the leverage ratio remaining well below 3x.

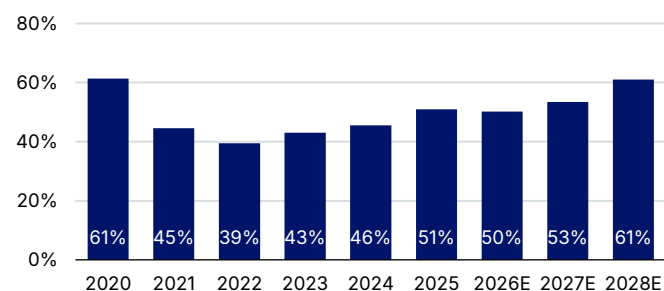
Of the proceeds from the HUF 7bn bond issued in 2022, HUF 4.2bn was used to finance the purchase and renovation of stores. Around HUF 2.3bn remains available and we do not expect other debt issuances in the medium term.

Figure 4: Debt/EBITDA



Source: Scope, Vöröskő estimates

Figure 5: Funds from operations/debt



Source: Scope, Vöröskő estimates

The EBITDA interest and operating lease cover constrains the assessment. This is due to the significant lease obligations that are typical for electronic retailers. Nevertheless, we expect the ratio to remain relatively stable, as interest expenses are largely linked to the bond (fixed at 4.75%) and any increase in operating lease interest and amortisation is likely to be offset by rising EBITDA. The issuer maintains a prudent approach to new store openings, and the ratio has consistently remained above 2x over the year. We anticipate that the scheduled bond amortisation from 2027 may lead to a modest reduction in interest costs and therefore improved coverage.

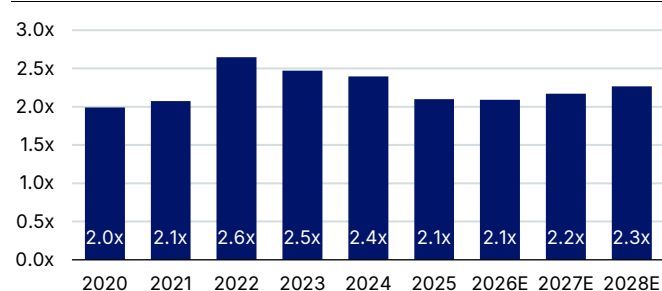
High lease obligation constrains the debt protection assessment

While free operating cash flow had been volatile due to fluctuations in net working capital and periods of elevated capital expenditure (notably in FY 2021/22), it has been positive since 2023, supported by improved working capital management. Capital expenditure is expected to rise in 2026–2028 as a result of the planned renovation of the headquarters and major store refurbishments. However, the issuer has indicated a maximum capex level, which we have applied in our forecast, and the actual outlay may be lower as has occurred previously.

Improved free operating cash flow

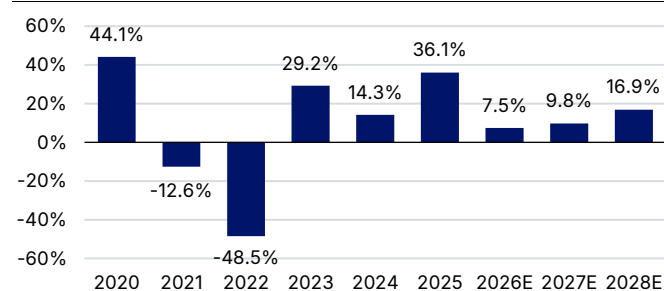
Net working capital is expected to turn negative again as the issuer intends to maintain a high level of inventory to ensure rapid delivery. Nevertheless, we anticipate that free operating cash flow/debt will remain positive and within the 10%–15% range, with reduced volatility compared with historical levels.

Figure 6: Interest and operating lease cover



Source: Scope, Vöröskő estimates

Figure 7: Free operating cash flow/debt



Source: Scope, Vöröskő estimates

Liquidity is adequate, supported by the absence of obligations in the near term (with bond amortisation beginning in 2027 at 10% yearly), significant cash on hand (HUF 8.3bn as at June 2025), and an expected free operating cash flow of HUF 962m in 2026. Liquidity is further strengthened by an unused overdraft facility of HUF 5.3bn, expiring in 2027, and an additional unused overdraft line of HUF 2bn, expiring in 2049. We consider the cash balance held as at June 2025 as conservative as the issuer typically holds the highest levels in December following the peak trading season.

Adequate liquidity

Vöröskő's senior unsecured bond 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 7bn) if the debt rating of the bond stays below B for more than two years (grace period) or drops below B- (repayment within 90 days). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is three notches. We see no significant risk of the rating-related covenant being triggered.

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

	2025	2025/26E	2026/27E
Unrestricted cash (t-1)	6,227	8,368	8,236
Open committed credit lines (t-1)	7,300	7,300	2,000
FOCF (t)	3,883	848	1,131
Short-term debt (t-1)	-	-	705
<b>Liquidity</b>	<b>No short-term debt</b>	<b>No short-term debt</b>	<b>&gt;200%</b>

Source: Vöröskő, Scope estimates

## 9. Debt rating

We have affirmed the BB rating of Vöröskő's senior unsecured debt. The assessment considers a hypothetical default scenario in 2028 and is based on a going concern status. The HUF 18bn enterprise value that is available to creditors compares to the HUF 7.3bn credit line (assumed to be fully drawn) and the HUF 5.6bn senior unsecured bond and results in a 100% recovery. However, we have refrained from up-notching the rating due to the possibility that the bond might be refinanced and consequently have a higher amount than the anticipated debt.

Senior unsecured debt rating: BB

In January 2022, Vöröskő issued a HUF 7bn senior unsecured bond (ISIN: HU0000361241) through the Hungarian Central Bank's Bond Funding for Growth Scheme. HUF 4.3bn of the bond proceeds were used for purchasing, opening and renovating warehouses and stores. The bond has a tenor of 10 years and a fixed coupon of 4.75%. Bond repayment is in six tranches starting from 2027, with 10% of the face value payable yearly, and 50% balloon payment at maturity.



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