

Abrons Kereskedőház Kft.

Hungary, Retail

Rating composition

Business risk profile		
Industry risk profile	BB	B+
Competitive position	B+	
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	2025E	2026E
Scope-adjusted EBITDA interest cover	4.9x	6.6x	7.6x	7.5x
Scope-adjusted debt/EBITDA	4.0x	2.3x	3.0x	2.2x
Scope-adjusted funds from operations/debt	16%	36%	28%	37%
Scope-adjusted free operating cash flow/debt	-7%	13%	6%	18%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Improved business risk profile through, for example, a significant increase in size, while keeping credit metrics within our rating case

The downside scenario for the ratings and Outlook:

- Debt/EBITDA of above 4x

*All credit metrics refer to Scope-adjusted figures.

Issuer

BB-

Outlook

Stable

Senior unsecured guaranteed bond
(HU0000360177)

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

• Leading position in the wholesale tyre business in Hungary	• Limited geographical diversification
• Good supplier diversification with a good share of exclusive products	• Limited size capped by the Hungarian market
• Solid credit metrics	• Product offer subject to cyclicality and seasonality

2. Rating Outlook

The Stable Outlook reflects the improved credit metrics and Scope’s expectation that, despite persistent weak market, EBITDA will continue to grow at a moderate rate, supporting leverage remaining between 2x and 3x.

3. Corporate profile

Abroncs Kereskedőház Group (AKH) is one of the leading wholesale tyre retailers in Hungary, distributing products from more than 30 well-known tyre manufacturers. It operates in central Europe, including Hungary, Czechia, Romania and Slovakia. In addition to tyres, AKH offers lubricants as well as car and tyre services. With around 300 employees, it generated net sales of HUF 42bn and EBITDA of HUF 1.5bn in 2024.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
15 Oct 2025	Outlook change	BB-/Stable
16 Oct 2024	Outlook change	BB-/Negative
18 Oct 2023	Downgrade	BB-/Stable

5. Financial overview (financial data in HUF m)

	Scope estimates					
Scope credit ratios	2022	2023	2024	2025E	2026E	2027E
EBITDA interest cover	10.2x	4.9x	6.6x	7.6x	7.5x	8.3x
Debt/EBITDA	2.1x	4.0x	2.3x	3.0x	2.2x	2.1x
Funds from operations/debt	45%	16%	36%	28%	37%	39%
Free operating cash flow/debt	10%	-7%	13%	6%	18%	14%
Liquidity	855%	814%	976%	840%	352%	183%
EBITDA						
Reported EBITDA	1,820	952	1,524	1,611	1,832	1,740
add: operating lease payments	649	645	737	737	737	737
Other items (incl. one-offs)	-	(60)	(7)	-	-	-
EBITDA	2,469	1,537	2,254	2,348	2,569	2,477
Funds from operations (FFO)						
EBITDA	2,469	1,537	2,254	2,348	2,569	2,477
less: interest	(243)	(311)	(339)	(308)	(342)	(298)
less: cash tax paid	(101)	(131)	(71)	(87)	(105)	(103)
Other non-operating charges before FFO	276	(132)	63	1	1	1
Funds from operations	2,401	963	1,907	1,954	2,123	2,077
Free operating cash flow (FOCF)						
Funds from operations	2,401	963	1,907	1,954	2,123	2,077
Change in working capital	(843)	440	(429)	(273)	(117)	(148)
Non-operating cash flow	-	179	-	-	-	-1
less: capital expenditures (net)	(533)	(1,540)	(235)	(690)	(401)	(580)
less: lease amortisation	(508)	(490)	(583)	(594)	(594)	(594)
Free operating cash flow	517	(448)	660	397	1,011	754
Interest						
Net cash interest per cash flow statement	102	155	186	165	199	155
add: interest component, operating leases	141	156	154	143	143	143
Interest	243	311	339	308	342	298
Debt						
Reported financial (senior) debt	3,131	3,693	3,297	5,116	3,839	3,451
less: cash and cash equivalents	(1,158)	(1,175)	(1,150)	(1,045)	(946)	(992)
add: operating lease obligations	2,923	3,289	2,853	2,853	2,853	2,853
add: other debt-like items ¹	406	395	277	158	-	1
Debt	5,302	6,202	5,277	7,082	5,746	5,313

¹ Guarantee to Bridgestone for the acquisition of ARS.

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

ESG considerations are neutral for the rating overall and AKH does not have a dedicated ESG strategy.

ESG neutral

Reputational risk is a major social criterion for retailers. For example, product or labour management that has a negative social impact may prompt consumer boycotts, affecting sales, margins and inventory value. However, we believe AKH's position as a national wholesaler reduces that risk substantially. AKH has initiated several social responsibility projects including staff training.

Discretionary goods companies like AKH are also under growing pressure to ensure the sustainability of their products, namely in terms of durability and repairability. A strong commitment in this regard is likely to improve brand value. To this end, AKH is currently expanding into the all-season tyre segment.

Lastly, the environmental footprint of any company's brick-and-mortar shops will remain fundamental to its development. AKH is well protected against environmental risks as the number of its stores across the country is low outside of Budapest, given that the network relies on franchises. AKH has implemented some energy savings measures over the years (LED lighting, electric forklifts, warm protection door systems), and it organises or takes part in multiple charity events each year.

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+

AKH business risk profile assessment reflects its strong market share and improved profitability, but it is constrained by the small size and limited diversification.

Industry risk profile: BB

AKH operates in the car parts and automotive industry, which we classify as discretionary retail with medium cyclicalit

Leading position in Hungary...

AKH's business risk profile benefits from its leading position as a tyre wholesaler and retailer in Hungary, a position it shares with its main competitor, Marso (B+/Stable). Despite a weak market environment continuing into 2024, the issuer's revenues returned to growth, increasing by 4% in 2024 compared to a 7% decline in 2023. This recovery was supported by a more favourable price mix and the expansion of its services segment, allowing the company to maintain its market share at around 21%.

We believe this market share is relatively well protected, thanks to the issuer's exclusive and semi-exclusive partnerships with original equipment manufacturers as well as its distribution agreements with international brands such as Continental and Bridgestone.

Nonetheless, ongoing inflation and weak consumer confidence have led customers in recent years to shift toward cheaper Asian tyre brands. This trend has prompted the issuer, along with other retailers, to adapt its strategy by offering more competitive pricing and incorporating Asian brands into its product portfolio.

...but small scale overall

While the dominant position is a positive rating driver, the issuer's size (HUF 42bn in 2024, EUR 0.1bn) compared to large international players is a constraint, and its growth opportunities are limited by strong competition and limited pricing power.

Figure 1: AKH's revenues by segment (2024)

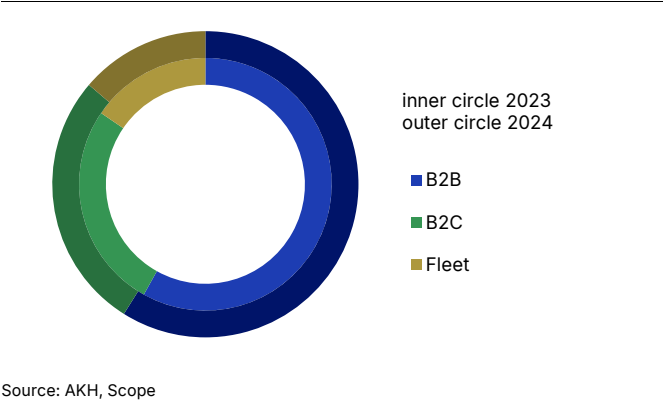
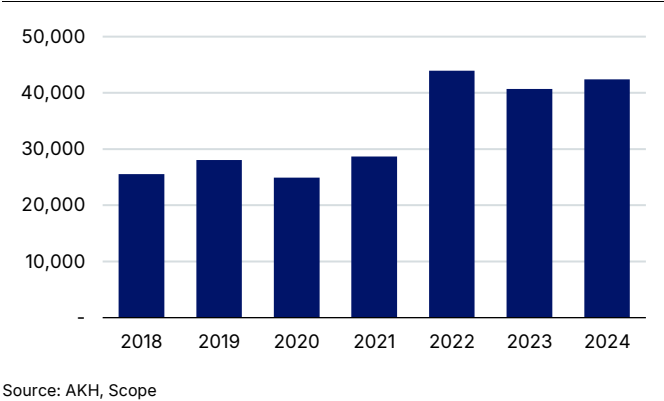


Figure 2: Revenue growth over years (HUF m)



Geographical diversification has improved since 2022 following the issuer's acquisition of the Slovakian tyre distributor ARS, which contributed 19% of total revenue in 2024 – unchanged from the previous year. The issuer also maintains a presence in other countries, including Czechia, Germany and Romania. However, the revenue contribution from these markets remains limited.

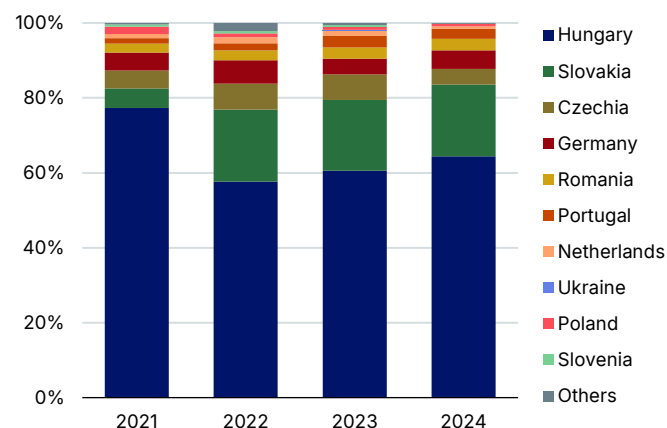
Geographical focus on Hungary and Slovakia

Sales only belong to one segment, the automotive industry, but they concern various products including all types of tyres (passenger and large tyres for trucks), lubricants and services. In addition to the typical tyre maintenance services such as wheel and tyre changes between summer and winter, dismounting-mounting and programming, balancing of tires and tire hotels (guarding of summer and winter sets; 180,000 pieces kept on stock for 45,000 customers), AKH provides car service and maintenance for brakes, wheel alignment, shock absorbers and small repairs. These activities are positive for diversification as they are less seasonal; in 2024 services accounted for 9% of revenues (8% in 2023).

Cyclical products...

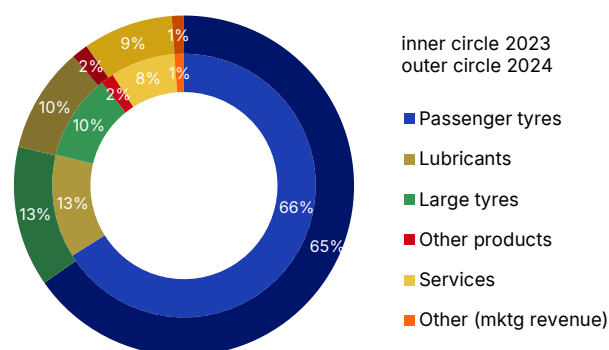
...but good assortment of sub-categories

Figure 3: Geographical diversification



Source: AKH, Scope

Figure 4: Product diversification



Source: AKH, Scope

AKH's EBITDA margin is generally low. This is explained by the high level of competition, exacerbated by the entry of Asian manufacturers that typically offer lower prices, and the fact that most sales are from wholesale.

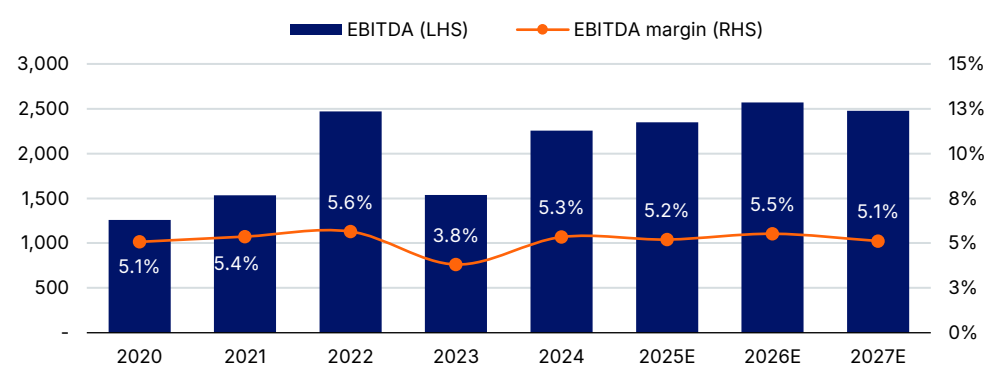
Moderate EBITDA margin compared to peers

The margin declined in 2023, driven by rising costs of sales and salaries due to inflation – costs that the company were unable to fully pass on to customers. However, it recovered to above 5% in 2024, supported by an increase in gross margin after the issuer reverted to the prior year's strategy to keep prices low, and by more revenues from services, which are margin-accretive.

But improving and expected to remain stable

Looking ahead, we expect the EBITDA margin to remain at or slightly above 5%, reflecting the expectations for inflation to remain stable and the issuer's strict cost control for the next years.

Figure 5: EBITDA margin



Source: AKH, Scope estimates

8. Financial risk profile: BB

AKH's financial risk profile benefits from solid interest coverage and moderate leverage. However, it remains sensitive to market fluctuations and business seasonality, primarily due to its relatively small scale.

Strong EBITDA growth, driven by improved gross margins and strong growth of the service segment, led leverage measured by debt/EBITDA to reduce to 2.3x in 2024, from 4x in 2023, contrary to our projection of a persisting higher leverage. We now project leverage to rise to 3.0x in 2025, following the issuance of a HUF 2,500m loan used to finance a dividend payment to exiting shareholder CGRAD.

Leverage reduced...

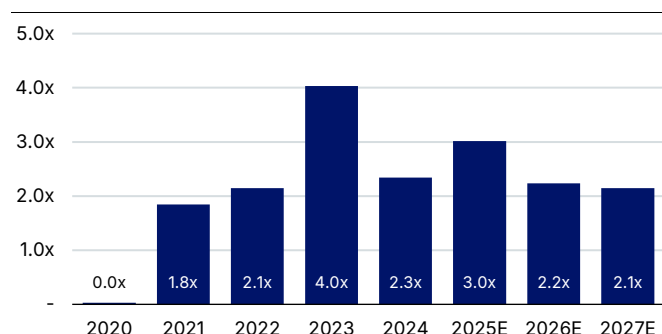
The loan will be amortised over seven years, with semi-annual repayments of HUF 270m (including a smaller HUF 130m payment in 2025 and a higher repayment of HUF 738m in 2026) and a final balloon payment of HUF 750m due in 2032. This amortisation schedule, combined with continued EBITDA growth, is expected to support gradual deleveraging, with leverage forecasted to fall below 3.0x from 2026.

Our projections also include a new debt issuance of HUF 1,750m in 2027, as the issuer plans to refinance the HUF 1,750m bond maturing that year with a bank loan.

Our assessment also factors in the high degree of business seasonality which leads to increased cash requirements and a reliance on overdraft facilities during certain months, primarily due to inventory build-up. During these periods, leverage may fluctuate between 4x and 5x.

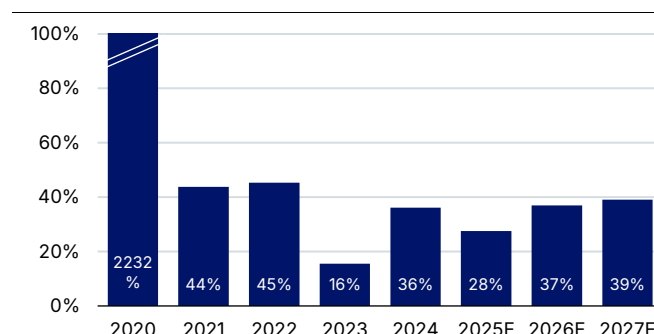
...but peaks twice a year for inventory build-up

Figure 6: Debt/EBITDA



Source: AKH, Scope estimates

Figure 7: Funds from operations/debt



Source: AKH, Scope estimates

The issuer has historically maintained a comfortable interest coverage position, primarily due to a limited exposure to variable interest rate debt. Most of the outstanding debt, specifically the HUF 3.5bn bond amortising since 2022, was issued at fixed rates. In 2023, the interest coverage ratio declined, reflecting the impact of a new mortgage taken to finance warehouse facilities and secondary offices acquisition, along with a decrease in EBITDA. However, by 2024, the ratio recovered to above 6x.

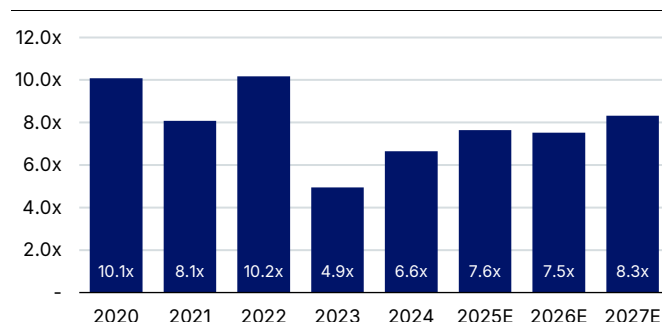
Strong interest coverage

Looking ahead, we expect the interest coverage ratio to remain in the 7x–8x range over the forecast period, as EBITDA growth is projected to offset the effects of additional debt taken in 2025 to fund dividend payments, with the cost of debt remaining relatively stable.

The company's free operating cash flow (FOCF) has recently been depressed by the level of capex, which increased from 2021 to finance a system to improve warehouse management and the inclusion of ARS capex. Further exceptional capex in 2023 related to the purchase of properties resulted in negative FOCF. After 2023, capex returned to near maintenance levels. However, FOCF, as for leverage, can often be negative over the year due to the seasonality of the business.

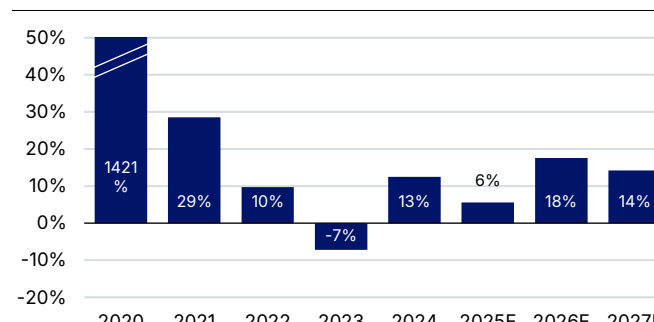
Volatile free operating cash flow

Figure 8: EBITDA interest cover



Source: AKH, Scope estimates

Figure 9: Free operating cash flow/debt



Source: AKH, Scope estimates

Liquidity is considered adequate. Available cash at year-end 2024 of HUF 3,833m, combined with HUF 397m of projected FOCF, fully covers short-term debt obligations of HUF 504m in 2025. Debt repayments are also expected to be fully covered in 2026 and 2027. We note, however, that the cash balance is subject to high seasonality and tends to reduce as inventory is built up at the end of the first and third quarters. Nonetheless, liquidity remains adequate as the issuer keeps a buffer for seasonality, consisting of credit facilities of around HUF 3,600m maturing at least in 2027.

Adequate liquidity

We highlight the fact that AHK’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 2.6bn at year end 2024) if the debt rating of the bonds stays below B+ for more than two years (grace period) or drops below B- (repayment in 90 days). Such a development could adversely affect the company’s liquidity profile. The rating headroom to entering the grace period is two notches. We therefore see no immediate risk of the rating-related covenant being triggered.

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

	2024	2025E	2026E
Unrestricted cash (t-1)	3,916	3,833	3,485
FOCF (t)	660	397	1,011
Short-term debt (t-1)	469	504	1,277
Liquidity	>200%	>200%	>200%

Source: Scope estimates

9. Debt rating

We have affirmed the BB- rating of the senior unsecured guaranteed bond. Our assessment considered the liquidation value based on a hypothetical default scenario in 2026, resulting in an above-average recovery. However, we have refrained from up-notching the rating due to the risk and possibility that senior secured debt could increase on the path to default (volatility of the capital structure and the proportion of senior unsecured debt).

Senior unsecured debt rating: BB-

AKH issued a HUF 3.5bn senior unsecured bond (ISIN: HU0000360177) in December 2020 through the Hungarian central bank’s Bond Funding for Growth Scheme. The bond proceeds were used for refinancing purposes. The bond has a tenor of seven years and a fixed coupon of 2.8%. Bond repayment is in four tranches starting from 2021, with 5.7% of the face value payable yearly in 2021, 2022 and 2023, 10% of the face value payable in 2024, 10.7% of the face value payable in 2025, 12% of the face value payable in 2026, and a 50% balloon payment at maturity. The bond is guaranteed by the following related entities: AKH Vagyonkezelő és Ingatlanhasznosító Korlátolt Felelősségű Társaság; Abroncs Hungária Kereskedőház Korlátolt Felelősségű Társaság; AKH Pneu CZ s.r.o.; A.R.S. spol and SC Anvelonet s.r.l.

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