Credit Rating Announcement

07 February 2025

Scope affirms Hungarian business services provider Mobilbox's BB/Stable issuer rating

The affirmation reflects strong credit metrics and resilient operating profitability despite the company's relatively small scale and volatile free operating cash flow.

The latest information on the rating, including rating reports and related methodologies, is available on this LINK.

Rating action

Scope Ratings GmbH (Scope) has today affirmed Mobilbox Kontener Kereskedelmi Kft.'s issuer rating of BB/Stable. The senior unsecured debt rating has been affirmed at BB+.

The affirmation is supported by the strong financial risk profile, mainly due to a Scope-adjusted debt/EBITDA ratio* of consistently below 1x and an EBITDA interest cover forecasted to remain above 20x. The rating remains constrained by the volatile free operating cash flow (FOCF) due to capex for the rental fleet and working capital shifts. The issuer rating also includes a negative notch reflecting Mobilbox's smaller absolute size compared to rated peers.

The full list of rating actions and rated entities is at the end of this rating action release.

Key rating drivers

Business risk profile: BB (unchanged). The business risk profile is supported by the regional and domestic market position in addition to the consistently strong operating profitability, while being constrained by moderate diversification and small absolute size.

Operating profitability remains the strongest element of the business risk profile. Since 2015, the consolidated reported EBITDA margin has remained at around 40% with moderate volatility. This strong profitability is primarily driven by the business' high capital intensity, the significant sales margins from used containers (earnings almost equal to revenues due to the very low book value), and the lucrative activity of spare parts and accessories. The high utilisation rate of the rental fleet, at 85%-90% in 2021-2024, is also beneficial. Scope expects EBITDA margins to remain around 40% in the medium term.

Strong positions in the issuer's core Central and Eastern European markets, thanks to the company's fleet size (more than 32,600 containers at end-2024), are also credit-positive. In 2023, revenues increased by 13%, boosted by an acquisition completed in 2022. For 2024, Scope forecasts revenue to increase by 20%

from the ramp-up of container sales. However, despite the dynamic increase in turnover in previous years, revenue (2023: HUF 28.6bn; preliminary 2024: HUF 34.3bn) remains limited in a European and global context.

Financial risk profile: A-(unchanged). The robust financial risk profile continues to be supported by the strong EBITDA (2023: HUF 11.9bn; preliminary 2024: HUF 13.9bn) and moderate financial debt levels.

Leverage measured by debt/EBITDA has remained below 1x since 2019. In 2022, strong operating performance balanced out the effect of debt raised that year. Scope expects leverage to remain below 1x over the forecast period, reflecting solid EBITDA generation supported by the company's strong market positions, further fleet growth and gradual deleveraging.

Debt protection is also strong. EBITDA interest cover has averaged well above 20x since 2015, which Scope expects to continue over the forecast period, thanks to largely fixed interest rates – 75% of the outstanding financial debt - and expected solid EBITDA generation.

However, cash flow cover measured by FOCF/debt has been volatile in recent years. This reflects primarily the impact of the investment cycle on FOCF. Capex dropped significantly in 2023 from a level close to depreciation during 2022. From 2024, the issuer is increasing capex until 2026 to an average of HUF 10.0bn a year (2023: net capex HUF 6.5bn), which will cause FOCF to turn negative in 2026, keeping cash flow cover volatile. The capex is aimed at increasing the volume and size of the container fleet, as well as expanding the network of depots in the region.

Liquidity: adequate (unchanged). Liquidity is assessed as adequate as sources are forecast to fully cover uses in 2025. Liquid sources comprise HUF 5.6bn of unrestricted cash available as at YE 2024 and HUF 0.7bn of FOCF forecasted for 2025, which fully cover the HUF 0.6bn of short-term debt maturing in 2025. Liquidity is also unlikely to worsen (e.g. due to rapidly increasing working capital needs) thanks to the significant cash balance.

Scope highlights that the 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 3.3bn) if the debt rating of the bond stays below B+ for more than two years (grace period). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is three notches. Scope therefore sees no significant risk of the rating-related covenant being triggered.

Supplementary rating drivers: -1 notch (unchanged). Scope has made a one-notch negative adjustment to Mobilbox's standalone credit assessment of BB+ under peer context. This reflects the issuer's limited size and scope, which constrain its credit profile compared to relevant peers in the BB category.

Outlook and rating sensitivities

The **Stable Outlook** reflects Scope's view that Mobilbox will continue to execute its long-term strategy, which is geared toward expanding its container fleet both domestically and internationally, while EBITDA margin remains around 40%. The Outlook also incorporates Scope's expectation that the group will maintain a prudent financial policy, notably in terms of dividend payments and capital expenditures, keeping debt/EBITDA below 1.0x.

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

- Significant growth in Mobilbox's size that improves diversification by customer, product and geography, while credit metrics remain in line with Scope's rating case, a scenario considered remote at the present.

The **downside scenario** for the ratings and Outlook is:

- Debt/EBITDA deteriorating above 4x on a sustained basis.

Debt rating

Scope has affirmed Mobilbox's BB+ senior unsecured debt rating based on the issuer rating and an 'excellent' recovery expectation for this debt category in a hypothetical default scenario in 2026. Although this recovery rate allows for up to two notches of uplift compared to the issuer rating, the up-notching was limited to one notch to account for potential volatility in the capital structure on the path to default. This results in a BB+ rating, one notch above the issuer rating.

The HUF 3.3bn senior unsecured bond (ISIN: HU0000361340) was issued in February 2022 under Hungary's bond funding for growth scheme. The bond features a tenor of 10 years, 10% annual amortisation of the principal amount between 2027 and 2031 and a 50% bullet repayment at maturity (2032). The bond coupon is fixed (4.9%) and payable on an annual basis.

Environmental, social and governance (ESG) factors

Overall, ESG factors have no impact on this credit rating action.

All rating actions and rated entities

Mobilbox Kft.

Issuer rating: BB/Stable, affirmation

Senior unsecured debt rating: BB+, affirmation

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

Stress testing & cash flow analysis

No stress testing was performed. Scope Ratings performed its standard cash flow forecasting for the company.

Methodology

The methodologies used for these Credit Ratings and/or Outlook, (General Corporate Rating Methodology, 16 October 2023; European Business and Consumer Services Rating Methodology, 15 January 2025), are available on https://scoperatings.com/governance-and-policies/rating-governance/methodologies.
Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at https://scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on https://scoperatings.com/governance-and-policies/rating-governance/methodologies.
The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and/or Outlook and the principal grounds on which the Credit Ratings and/or Outlook are based. Following that review, the Credit Ratings and/or Outlook were not amended before being issued.

Regulatory disclosures

These Credit Ratings and/or Outlook are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and/or Outlook are UK-endorsed.

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The Credit Ratings/Outlook were first released by Scope Ratings on 10 February 2022. The Credit Ratings/Outlook were last updated on 6 February 2024.

Potential conflicts

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