

# Progress Étteremhálózat Kft.

Hungary, Leisure and Entertainment

Issuer

**BB**

Outlook

**Stable**

Senior unsecured debt

**BB+**

**Lead Analyst**

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**Related methodology**

[General Corporate Rating Methodology, Apr 2026](#)

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**Rating composition**

Business Risk Profile		
Industry Risk Profile	BB	<b>BB-</b>
Competitive Positioning	BB-	
Financial Risk Profile		
Credit metrics	BBB-	<b>BBB-</b>
<b>Preliminary Credit Assessment</b>		<b>BB</b>
Supplementary Rating Drivers		
Liquidity	+/-0 notches	<b>+/-0 notches</b>
Financial policy	+/-0 notches	
Governance & structure	+/-0 notches	
Secondary Credit Assessment		
External Rating Drivers		
Parent/government support	+/-0 notches	<b>+/-0 notches</b>
Peer context	+/-0 notches	
<b>Issuer rating</b>		<b>BB</b>

**Key metrics**

Scope credit ratios*	Scope estimates			
	2024	2025	2026E	2027E
Scope-adjusted EBITDA interest cover	16.2x	15.8x	15.1x	15.0x
Scope-adjusted debt/EBITDA	2.6x	2.1x	2.3x	2.0x
Scope-adjusted funds from operations/debt	37%	44%	41%	45%
Scope-adjusted free operating cash flow/debt	5%	16%	10%	19%
Liquidity	No ST Debt	No ST Debt	>200%	>200%

**Rating sensitivities**

**The upside scenario for the rating and Outlook:**

- Improvement in diversification (remote)

**The downside scenarios for the rating and Outlook (individually):**

- Debt/EBITDA sustained at or above 3.0x
- Free operating cash flow/debt sustained below 5%

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

## 1. Key rating drivers

Positive rating drivers	Negative rating drivers
<ul style="list-style-type: none"> <li>Moderate profitability from high-value restaurant chain brand, driven by strong, consumer-research validated marketing strategy</li> <li>Well-defined strategy to preserve strong market share, including plans to expand the number of new restaurants</li> <li>Sequential deleveraging and robust interest cover</li> </ul>	<ul style="list-style-type: none"> <li>Heavily dependent on franchise (developmental licensee) agreement with McDonald's</li> <li>Limited diversification with single country of operations and single product line</li> <li>Volatile free operating cash flow/debt in the past years due to capex plan</li> </ul>

## 2. Rating Outlook

The Stable Outlook reflects our expectation of steady operating performance in the near term, supported by resilient profitability, despite mild pressures in 2026, and improving credit metrics. The Outlook also incorporates sufficient cash generation, limiting the need for additional financing in the medium term.

## 3. Corporate profile

Progress Étteremhálózat Kft. (Progress) is the McDonald's Corporation's developmental licensee in Hungary and one of the largest restaurant operators in the country based on revenue and profit. Progress operates McDonald's restaurants and uses the trademarks, intellectual property rights and other products under the McDonald's franchise. It is entitled to name itself the 'Developmental Licensee Partner of McDonald's in Hungary'. The company's activities consist solely of operating McDonald's restaurants in Hungary.

McDonald's only licensee partner in Hungary

The first McDonald's restaurant in Hungary opened in 1988. Progress' former name was McDonalds Hungary Kft. Ownership changed in 2019, when Hungarian entrepreneur Sándor Scheer acquired the full stake from the global McDonald's group through his holding company Leones QSR Kft, whose sole investment is in Progress.

Ownership changes in 2019

McDonald's has 123 restaurants in Hungary. The majority of these (75) are operated and owned by Progress, generating HUF 122bn in revenues in 2025 (up 16.5% YoY). The other 40% are operated via conventional licensee partners. Progress currently works with 12 conventional license/franchise partners, which contribute approx. 12% of yearly revenues.

National presence through own stores and partners

## 4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
28 May 2026	Affirmation	BB/Stable
30 Apr 2026	Review for Downgrade	BB/UR for possible downgrade
27 May 2025	Affirmation	BB/Stable

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

Scope credit ratios	Scope estimates				
	2024	2025	2026E	2027E	2028E
EBITDA interest cover	16.2x	15.8x	15.1x	15.0x	16.7x
Debt/EBITDA	2.6x	2.1x	2.3x	2.0x	1.8x
Funds from operations/debt	37%	44%	41%	45%	52%
Free operating cash flow/debt	5%	16%	10%	19%	23%
Liquidity	No ST Debt	No ST Debt	>200%	>200%	>200%
<b>EBITDA</b>					
Reported EBITDA	12,884	16,385	16,039	17,834	19,409
add: operating lease payments	3,569	4,013	4,671	5,309	5,834
<b>EBITDA</b>	<b>16,453</b>	<b>20,398</b>	<b>20,710</b>	<b>23,143</b>	<b>25,243</b>
<b>Funds from operations (FFO)</b>					
EBITDA	16,453	20,398	20,710	23,143	25,243
less: interest	(1,014)	(1,291)	(1,369)	(1,539)	(1,515)
less: cash tax paid	-	-	(145)	(161)	(179)
Other non-operating charges before FFO	484	(117)	-	-	-
Funds from operations	15,923	18,990	19,195	21,444	23,549
<b>Free operating cash flow (FOCF)</b>					
Funds from operations	15,923	18,990	19,195	21,444	23,549
Change in working capital	(484)	(490)	2	(40)	(35)
less: capital expenditures (net)	(10,476)	(8,572)	(10,973)	(8,232)	(8,354)
less: lease amortisation	(2,858)	(3,185)	(3,730)	(4,275)	(4,800)
<b>Free operating cash flow</b>	<b>2,105</b>	<b>6,743</b>	<b>4,494</b>	<b>8,897</b>	<b>10,360</b>
<b>Interest</b>					
Net cash interest per cash flow statement	302	463	428	504	481
add: interest component, operating leases	711	828	941	1,034	1,034
<b>Interest</b>	<b>1,014</b>	<b>1,291</b>	<b>1,369</b>	<b>1,539</b>	<b>1,515</b>
<b>Debt</b>					
Reported financial (senior) debt	33,000	33,000	28,875	24,750	20,625
less: cash and cash equivalents	(12,571)	(14,646)	(9,655)	(9,292)	(9,768)
add: non-accessible cash	7,500	7,875	8,190	9,292	9,768
add: operating lease obligations	15,168	17,054	19,851	22,565	24,796
<b>Debt</b>	<b>43,098</b>	<b>43,283</b>	<b>47,261</b>	<b>47,315</b>	<b>45,421</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

Progress is working on a dedicated sustainability strategy. It aims to reduce its environmental footprint by cutting packaging use, ensuring selective waste collection (70% of the waste generated in the restaurants is recycled), turning used cooking oil into biodiesel and food waste into biogas. Through new store openings, Progress also aims to implement other environment-friendly initiatives to lower energy consumption and achieve gas-free operations.

Credit-neutral ESG profile

As a large employer, Progress runs community support programmes and has a good focus on gender equality. Ownership and management structures are well separated. The company pays attention to complying with food safety regulations and avoiding regulatory and reputational risks. The Hungarian entity also invests in product innovation. Internal controls and audits by McDonald's Corporation provide further assurance.

<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-

Progress' business risk profile benefits primarily from its position as one of the main restaurant operators in Hungary through its use of the McDonald's brand. Revenues reached HUF 122bn in 2025 (approx. EUR 344m), tripling since 2020. The company has reported double-digit revenue growth since 2023.

Small player on global scale but market leader in Hungary

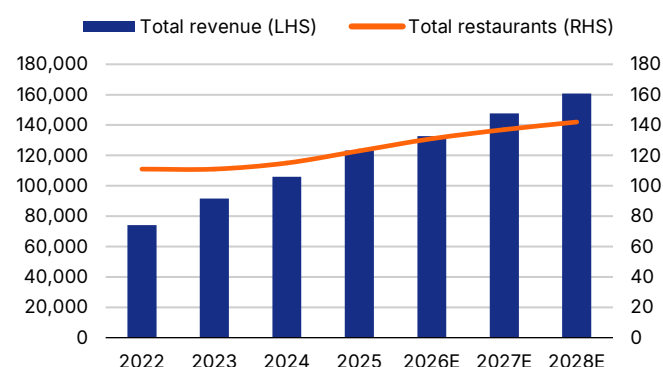
Progress has opened new stores in strategic locations nationwide, strengthening its geographic footprint and supporting volume growth. Newly opened restaurants contributed nearly 18% of group EBITDA in 2025. The expansionary capex programme completed in 2024 contributed to market share expansion and strengthened the company's leading position in the fragmented Hungarian informal eating-out market.

From an international perspective, McDonald's penetration in Hungary remains relatively low, at 12.8 restaurants per million inhabitants, compared with Austria (23.3), Germany (16.4), and France (24.4). This gap is likely linked to lower purchasing power, lower urbanisation levels, and still strong competition from local fast-food competitors.

Progress benefits from a strong geographical presence in Hungary and multiple sales channels. However, diversification remains constrained by its single-country presence and reliance on a single product line (fast food and beverages) under the development licensee agreement. In the medium term, we expect operating profitability to be sustained between 15%–16%, supported by continued market share gains, an effective pricing strategy, and disciplined cost management, despite structurally higher operating cost pressures.

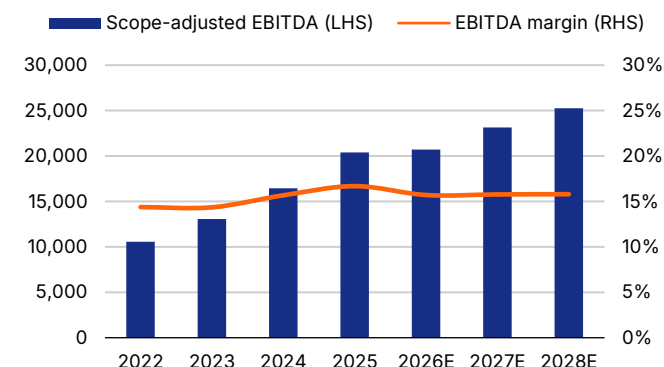
Diversification constrains business risk profile assessment

**Figure 1: Revenues (HUF m) and network size (units) evolution**



Source: Scope Estimates, Progress

**Figure 2: Operating profitability**



Source: Scope Estimates, Progress

Progress' sales channels are fairly diversified, with home delivery available in most locations (and growing), drive-thru access and take-away or eat-in options, in line with global McDonald's practices. With regard to sourcing, the company benefits from strong integration in global supply chains, operating with strategic and long-term partners, which minimises supply chain risk. McDonald's is proactively improving product diversification by increasing menu variety, adding breakfast items, McCafé shops, pastry options and offering wraps and salads. Furthermore, local franchisors have the freedom to implement and adapt the menu according to local needs (e.g. pork-made burger available in Hungary but not part of the global McDonald's menu). Ultimately, however, McDonald's product portfolio is still limited to food and beverages.

We expect the operating environment to remain challenging in 2026, as inflationary pressures in Hungary persist, particularly affecting labour costs and agricultural raw materials (such as beef). Nevertheless, Progress' business should remain resilient, in line with its performance in recent years. The company has demonstrated an ability to leverage a pricing strategy, helping to protect margins, without compromising volumes. Going forward, affordable pricing, continued digitalisation and the benefits of economies of scale will be key for Progress to remain competitive and relevant to consumers.

### 8. Financial risk profile: BBB-

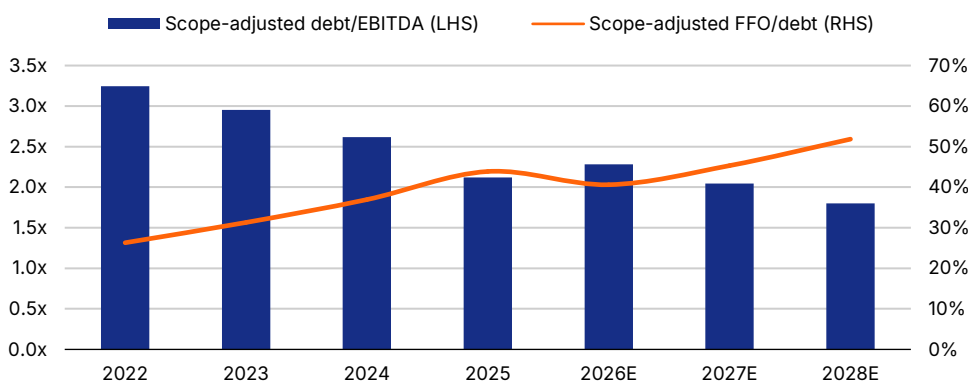
Progress' financial risk profile has been improving in recent years, with a continuous reduction in leverage and stronger cash flow generation. Investments in the modernisation, refurbishment and opening of new restaurants have contributed to operational scaling, leading to nominal EBITDA growth while debt levels remain broadly stable.

Strong financial risk profile

Leverage, as measured by debt/EBITDA, decreased to 2.1x in 2025 (versus 2.6x in 2024). We expect leverage to remain below 2.5x and stay on an improving trend over the medium term.

As of year-end 2025, Progress' balance sheet debt comprised of the HUF 33bn in senior unsecured debt maturing in 2030 and approx. HUF 3bn in bank guarantees, with the bond beginning to amortise from 2026 at HUF 4.12bn yearly. We expect no major changes in Progress' debt profile, including no refinancing of the bond, further supporting a gradual improvement in leverage YoY.

**Figure 3: Leverage evolution**



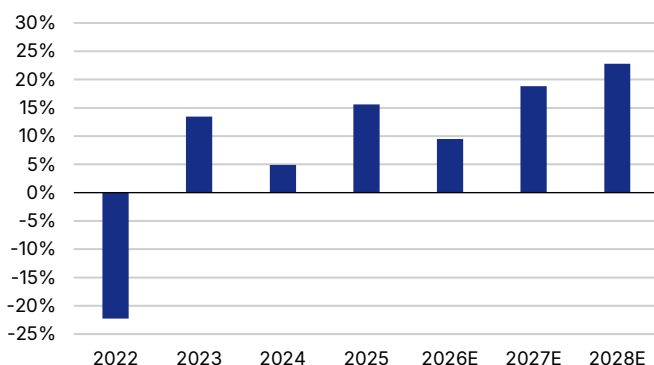
Source: Scope estimates, Progress

Funds from operations/debt was at 44% in 2025 (37% in 2024), indicating healthy cash flow generation. We expect it to remain above 40% in 2026-2027 and to further improve to 52% by 2028.

EBITDA interest cover is strong at above 15x at year-end 2025. Progress benefits from a fixed-rate debt coupon for its HUF 33bn bond of 3.0% yearly, which supports debt protection and limits sensitivity to interest rate volatility. We expect this metric to remain strong and above 10x in the next three years.

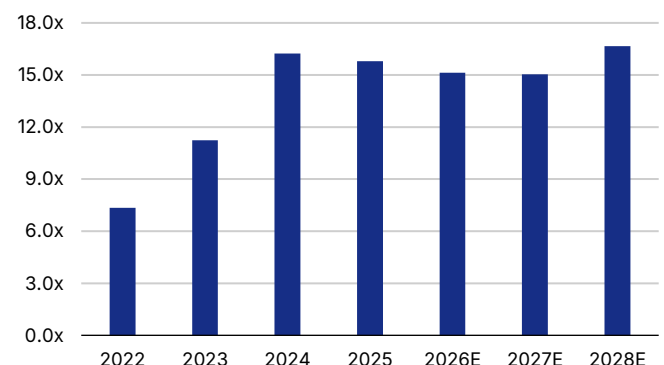
Free operating cash flow/debt also improved to 16% in 2025 from 5% in 2024, supported by lower capex requirements. We expect free operating cash flow generation to remain adequate, allowing cash to be accumulated for debt service and dividend payments.

**Figure 4: Free operating cash flow cover**



Source: Scope Estimates, Progress

**Figure 5: Interest cover**



Source: Scope Estimates, Progress

## 9. Supplementary rating drivers: +/- 0 notches

Progress' financial policy is both appropriate and prudent, with a commitment to comply with the bond covenant of maximum net debt/EBITDA of 3.5x. No dividends were paid during the investment phase (up to 2023), and company guidance on dividends still allows deleveraging. In 2025, HUF 4.1bn (approx. EUR 11.5m) in dividends was paid and management proposed dividend payments amounting to HUF 5.2bn (approx. EUR 14.6m) in 2025. We forecast payments in 2026-2028 at 50% of the previous year's profit after tax, as capped in the bond prospectus, which protects debtholders.

Credit-neutral supplementary rating drivers

Governance and group structure are credit-neutral. A multi-level control framework and decision-making bodies support effective oversight and risk management, which is positive. The company benefits from structured governance processes and internal controls that contribute to disciplined financial and operational management. Shareholder loans granted in 2019, 2020 and 2024 to the parent company, Leones QSR Kft., form part of the group's capital structure and have contractual maturities in 2029 and 2030. The treatment of these shareholder loans at maturity will be aligned with the group's financial policy and capital allocation decisions at that time. Shareholder loans maturing from 2030 onwards fall outside the scope of the bond covenant package, limiting any direct implications for bondholders. Overall, the existing intragroup funding arrangements do not weaken the current credit profile.

Shareholders loans due in 2029 and 2030

Liquidity is adequate and benefits from the company's conservative debt maturity profile, with no short-term debt either historically or planned in the coming years. The bond starts amortising in 2026 at HUF 4.1bn annually. This does not pose liquidity risk given Progress' comfortable cash position and positive free operating cash flow generation.

Adequate liquidity

Progress' 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 33bn) if the debt rating of the bond stays below B+ for more than two years (grace period) or drops below B- (immediate accelerated repayment). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is three notches. We therefore see no significant risk of the rating-related covenant being triggered.

In addition to the rating deterioration covenant, bond terms include a list of soft covenants, such as: i) no change of control unless approved by McDonald's Corporation; ii) net debt/EBITDA up to 3.5x applicable only if breach is due to raising new debt; and iii) dividends capped at a 50% payout ratio.

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

	2025	2026E	2027E
Unrestricted cash (t-1)	5,071	6,771	1,465
Open committed credit lines (t-1)	-	-	-
FOCF (t)	6,743	4,494	8,897
Short-term debt (t-1)	-	4,125	4,125
<b>Liquidity</b>	<b>No ST Debt</b>	<b>&gt;200%</b>	<b>&gt;200%</b>

Source: Scope estimates, Progress

## 10. External rating drivers: +/- 0 notches

Parent support and peer comparison are neutral, as we do not expect support from the owner or its holding company and peer group considerations do not affect the rating.

Credit-neutral external rating drivers

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## 11. Debt rating

We affirm the senior unsecured debt rating at BB+, one notch above the issuer rating. The assessment is supported by the company's HUF 95bn asset base (including HUF 49bn in fixed assets), the absence of refinancing risk given that debt is expected to be repaid through operating cash flows, and restrictions on additional borrowings imposed by bond leverage covenants. Based on our default scenario assumptions, the company would have a buffer of approx. HUF 32bn of additional debt before breaching its bond covenant.

Senior unsecured debt rating: BB+

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