Finbureau LLC

Issuer report

Issuer rating

B

Outlook

Stable

Lead Analyst

Alvaro Dominguez Alcalde

a.dominguez@scoperatings.com

Table of contents

Summary and Outlook

Finbureau LLC's B issuer rating reflects the following credit considerations:

- **Operating environment assessment: Constraining (low).** Georgia is a small emerging economy that still lags regional peers on some macroeconomic indicators, despite gradual improvements and reforms in recent years. The National Bank of Georgia supervises the loan issuing entity sector, but we consider that regulations are less stringent than for banks.
- **Business model assessment: Narrow (high).** Finbureau's business focus is on debt purchases and collection management in Georgia. It operates with a loan-issuing entity status and ranks among the largest debt purchase and collection companies in the country.
- **Long-term sustainability assessment (ESG factor): Developing.** Finbureau continues to implement sustainability initiatives and adapt to rising regulatory expectations. Strengthening digital capabilities is a strategic priority for the company to improve the scalability of debt collection. From a governance standpoint, Finbureau is privately owned by two shareholders who play an important role in steering the strategy and in managing the company.
- **Earnings and risk exposures assessment: Supportive.** Profitability metrics are solid and represent a credit strength. Finbureau's profitability indicators tend to be well above those of other loan issuing entities (LIEs), microfinance organisations (MFOs) and commercial banks in Georgia in average. Return on equity has remained above 24% since 2018. Following a period of rapid business growth, Finbureau is now focusing on improving operational efficiency.
- **Financial viability management assessment: Adequate.** The management of solvency and liquidity metrics is adequate. The low debt leverage ratio indicates prudent financial management to avoid incurring excessive debt to finance the acquisition of assets. Liquidity has declined overall since its peak in 2021 following the acquisition of loan portfolios. This evolution is inherent to the company's business model with periodic investments in portfolio acquisitions and a gradually replenished liquidity position, thanks to a cash generative debt collection activity. Finbureau relies heavily on funding from a limited number of Georgian banks. The absence of diversified funding sources is a rating weakness.

Outlook

The Stable Outlook reflects Scope's view that risks to the ratings are balanced over the next 12 to 18 months.

What could move the rating up

- Sustained strengthening of Finbureau's business model accompanied by more consistent levels of profitability.
- Expanding and diversifying sustainably the range of funding sources.

What could move the rating down

- Pressure on funding due to material concentration risk.
- Material deterioration in the company's liquidity position.
- Greater competition in the debt collection and management sector, reducing profitability.

Rating drivers overview table

Step		Assessment			Summary rationale
STEP 1	Operating environment	Very supportive	H	L	• Small emerging economy that still lags regional peers on some macro indicators (e.g. unemployment rate, GDP per capita), despite gradual improvements and reforms in recent years. • LIE market started to be regulated in 2018. Regulations for commercial banks are more stringent than for non-bank financial institutions.
		Supportive	H	L	
		Moderately supportive	H	L	
		Constraining	H	L	
		Very constraining	H	L	
	Business model	Very resilient	H	L	• One of the largest players in Georgia's debt purchase and collection management business. • High-risk cyclical business focused on NPL management. • Focus on unsecured loans and domestic activities.
		Resilient	H	L	
		Consistent	H	L	
		Focused	H	L	
		Narrow	H	L	
	Initial mapping	**b-**			
	Long-term sustainability	Best in class			• Ongoing digital transformation to support operating efficiency. • Governance mainly relies on main shareholders to steer the strategy and manage the company.
		Advanced			
		Developing			
		Constrained			
		Lagging			
	Adjusted anchor	**b-**			
STEP 2	Earnings capacity & risk exposures	Very supportive			• Strong profitability metrics, outperforming main domestic and international peers. • No losses reported since 2018, when the company started operating in the debt collection and management business.
		Supportive			
		Neutral			
		Constraining			
		Very constraining			
	Financial viability management	Ample			• Improving leverage ratio (as measured by assets/equity), indicating conservative financial management. • Finbureau relies heavily on funding from a limited number of domestic banks. • Overall reduction of balance sheet liquidity since its peak in 2021 due to recent loan portfolio purchases.
		Comfortable			
		Adequate			
		Limited			
		Stretched			
		At risk			
	Additional factors	Significant upside factor			• Not applicable
		Material upside factor			
		Neutral			
		Material downside factor			
		Significant downside factor			
	Standalone	**b**			
STEP 3	External support	Not applicable			
Issuer rating		**B**			

Issuer profile

Founded in 2015, Finbureau is one of Georgia's largest players in the debt purchase and collection management business. The company was granted the status of loan issuing entity (LIE) in May 2019, and operates under the supervision of the National Bank of Georgia.

Its business model is to acquire non-performing loan portfolios at material discounts (75%-95%) from domestic banks, microfinance organisations (MFOs) and online lending companies; and to manage the outstanding debt and provide restructuring and flexible repayment schedules with more favourable conditions for customers to achieve higher recovery rates.

As of December 2023, the company had 20 branches and employed 695 people, of which 552 work as loan officers and 59 work in the legal department.

Recent events

- *2023 results:* Finbureau's bottom line increased by more than a third YoY to GEL 8.2m (approx. EUR 3m). The main underlying factors of this material increase were lower direct collection costs of the loan portfolio, driven by materially lower court fees on court cases, and higher other income.

Loan Issuing Entity (LIE) focused exclusively on debt purchasing and collection management in the Georgian market

The "narrow-high" business model assessment reflects our view that Finbureau has a limited product and geographic diversification since its business relies almost exclusively on the high-risk sector of debt purchases, collection and recovery management. Finbureau is one of the largest loan issuing entities (LIEs) in Georgia.

The "constraining-low" operating environment assessment reflects our view that Georgia is a small emerging economy that still lags regional peers on some economic indicators (e.g. unemployment rate, GDP per capita), despite gradual improvements and reforms in recent years. We note that the LIE sector continues to play a very limited role in the domestic financial sector, which is dominated almost entirely by the banking sector, representing around 92% of all domestical assets as of December 2022.

Finbureau focuses on debt purchase and collection in Georgia. It is one of the largest LIEs in the country, with a strong market position in its business niche and a growing loan base. The company manages non-performing loan (NPL) portfolios that it buys at material discounts (75%-95%) from domestic banks, MFOs and online lending companies.

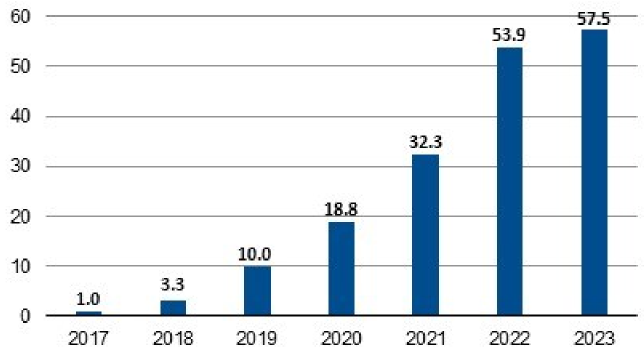
Finbureau's core activity is to convert acquired non-performing loans into performing assets and then collect the respective cash flows. It typically restructures them into new, longer (up to three years), cheaper and more flexible repayment schedules, according to each client's circumstances. Since the business model is subject to reputational risk, the company has been promoting financial education and financial literacy. If a client starts paying and can make three consecutive payments, this positive behaviour is reported to the national credit bureau, improving the client's credit score.

Finbureau has experienced rapid growth through active acquisitions of large loan portfolios since its founding, which total around GEL 58m (about EUR 20m) as of December 2023.

The company uses two procedures for portfolio purchases: i) open tenders in which domestic commercial banks and MFOs express a desire to sell assets; and ii) direct communication with banks due to positive and longstanding corporate relationships.

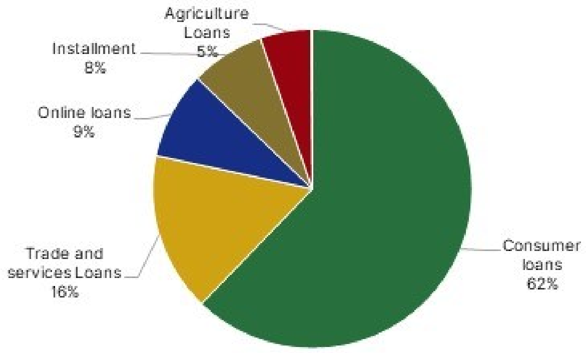
The viability of the business model is highly dependent on the company's ability to continually acquire new portfolios. While we acknowledge Finbureau's strong track record and its solid relationships with major Georgian financial institutions (mostly banks and MFOs), the lack of visibility over its long-term revenue stream is a concern. However, we note good visibility on the company's short-term cash flow and revenue generation for 2024 following the company's budget.

Figure 1: Finbureau's net loan book size (GEL m, 2017-2023)



Source: Company data, Scope Ratings

Figure 2: Gross loan portfolio breakdown by product type (December 2023)



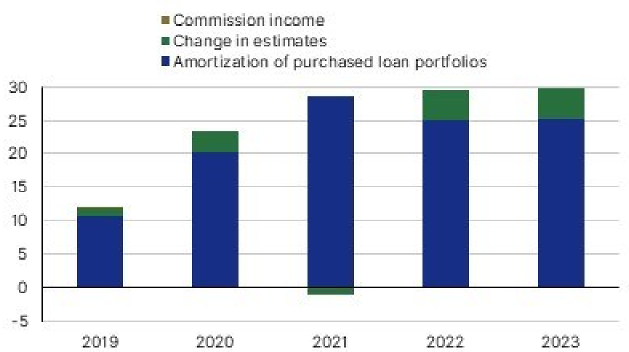
Source: Company data, Scope Ratings

Finbureau originally started buying debt portfolios at very steep discounts, which meant lower-quality portfolios. However, this trend has changed in last few years as the company has been acquiring debt at lower discounts. This is because the largest NPL portfolios held by domestic banks have already been acquired. The remaining portfolios have better credit quality compared to the former ones.

The majority of Finbureau's revenue stems from amortisation payments on debt it collects, which are derived from purchased loan portfolios. Other revenue sources include the change in recovery estimates and commission income that result from the service of issuing loan notices.

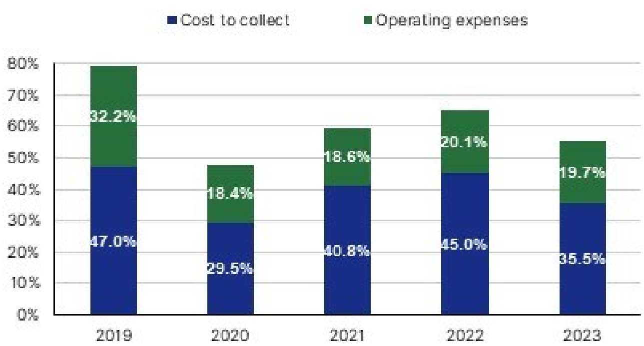
Finbureau's main operating expenses include i) direct collection costs of the loan portfolio, including costs of agent services related to collection and legal fees on court cases; ii) other operating expenses such as salaries (fixed remuneration, bonuses and other benefits), communication, office and other expenses.

Figure 3: Finbureau's revenue breakdown (GEL m, 2019-2023)



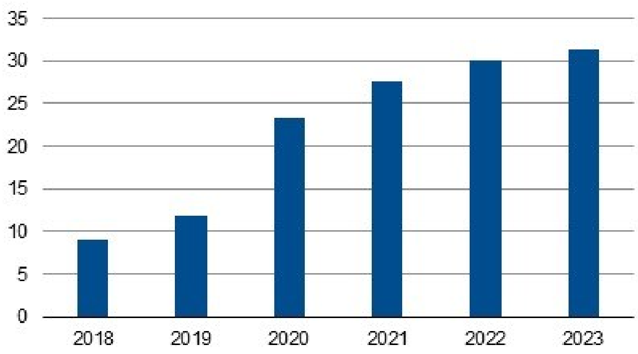
Source: Company data, Scope Ratings

Figure 4: Finbureau's cost breakdown by type (2019-2023)



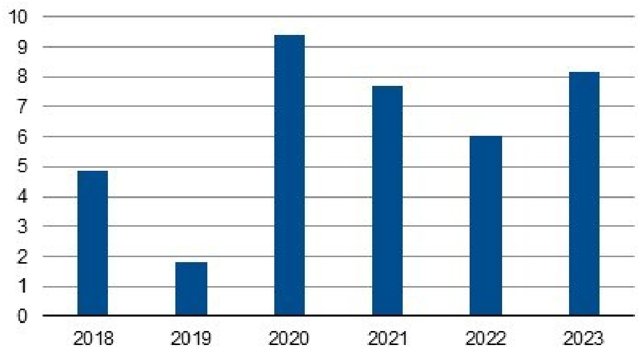
Source: Company data, Scope Ratings

Figure 5: Finbureau's revenues (GEL m, 2018-2023)



Source: Company data, Scope Ratings

Figure 6: Finbureau's net income (GEL m, 2018-2023)



Source: Company data, Scope Ratings

The company's term strategy for 2024 targets a i) cost rationalization and optimisation of existing infrastructures (e.g. no branch expansion); ii) a slowdown in loan portfolio purchases. Finbureau plans to keep moderate growth in the period 2024-2028 on average, compared to the strong levels seen in the period 2020-2022.

Box B: Operating environment: focus on Finbureau LLC's domestic market: Georgia (BB/Stable)

Economic assessment:

- Georgia' economy is experiencing a strong recovery and robust medium-run growth potential, underpinned by strong services-sector exports and foreign-direct-investment inflows.
- Russia's invasion of Ukraine creates significant economic uncertainties given the strong trade linkages of Georgia to the warring counterparties. So far, the economy has weathered the crisis exceptionally well. Scope expects GDP growth at approx. 5% this year.
- In addition, the economy is vulnerable to external shocks due to its small size alongside elevated reliance upon external funding and elevated dollarisation.

Key economic indicators	2021	2022	2023	2024E	2025F
Real GDP growth, %	10.5	10.4	7.0	5.3	5.0
Inflation (HICP), % change	9.6	11.9	2.5	2.0	3.0
Unemployment rate, %	20.6	17.3	16.4	16.0	16.0
Pocily rate, %	10.5	11.0	9.5	7.0	6.0
Public debt, % of GDP	50	40	39	39	38
General government balance, % of GDP	-6.0	-2.6	-2.9	-2.4	-2.2

Scope macroeconomic forecast. Source: Scope Ratings

Soundness of the Georgian financial sector:

- Commercial banks dominate the Georgian domestic financial sector, accounting for over 90% of assets as of December 2022. Pension funds, insurance companies, microfinance organizations (MFOs) and loan issuing entities (LIEs) account for less than 10% of total assets combined.
- As of December 2023, 169 LIEs employ 2,452 people in the country. LIEs are defined as entities or individuals that provide lending to 20 or more clients and can only perform activities related to issuing, purchasing and collecting loans. Largely unregulated until 2018, LIEs are today registered and required to submit quarterly consolidated reports to the National Bank of Georgia. They are also subject to payment-to-income and loan-to-value limits and cannot issue loans with a maximum amount of GEL 200,000 in domestic currency.
- LIEs are mostly active in consumer loans and pawnshop loans, (74% of the consolidated portfolio as of Q4 2023), as well as online loans (8%) and trade and service loans (8%), with the remainder representing just 10% of the total loan portfolio.
- LIEs are supervised by the National Bank of Georgia. These entities are required to submit consolidated reports to the central bank on a quarterly basis, have PTI and LTV limits and have the obligation to issue loans with a maximum of GEL 200k only in the domestic currency.

Banking system indicators	2018	2019	2020	2021	2022
ROAA, %	2.7	2.9	1.3	3.0	3.3
ROAE, %	18.6	20.3	10.2	22.1	22.8
Net interest margin, %	6.0	5.3	4.4	4.8	5.2
CET1 ratio, %	13.9	13.3	12.5	14.3	17.1
Problem loans/gross customer loans, %	4.8	3.6	5.6	3.7	3.0
Loan-to-deposit ratio, %	117.5	124.3	114.9	119.0	102.8

Source: SNL, Scope Ratings

Continual improvement in IT and digitalisation

The "developing" long-term sustainability assessment mainly reflects our view that Finbureau is implementing initiatives to strengthen its IT and digital transformation. Governance is a relevant matter given private ownership and concentrated shareholder base.

Figure 7: Long-term sustainability overview table[1]

	Industry level			Issuer level						
	Materiality			Exposure			Management			
	Low	Medium	High	Low	Neutral	High	Weak	Needs attention	Adequate	Strong
E Factor		◇			◇				◇	
S Factor	◇				◇				◇	
G Factor			◇			◇			◇	
D Factor			◇		◇				◇	

Source: Scope Ratings

Digital factor

Finbureau is gradually implementing measures to make progress towards digital transformation such as increasing investments in new platforms, software, Internet, and mobile apps. The company is currently working on mobile applications to obtain more detailed customer information, and it expects to be part of open banking in the future.

Environmental factor

Sustainability initiatives have been integrated gradually in the company's strategy and put in place to prepare for the implementation of the Sustainable Finance Taxonomy developed by NBG. The taxonomy went into force for commercial banks in January 2023, and further, separate frameworks in this legislation are planned for the rest of the domestic financial sector (MFOs and other financial institutions).

Although Finbureau is not exposed to traditional industries or geographies facing environmental risks (e.g. oil and gas, mining), it strives to minimise its environmental exposure through regular risk-effectiveness practices.

Governance factor

Finbureau is privately owned by two shareholders who play an important role in steering the strategy and in managing the company.

The shareholder structure has been amended in 2022 with the creation of an Estonian based investment company, co-owned by Finbureau's owners, and now controlling a 40% equity stake in Finbureau. This entity will serve as a special vehicle to attract non-domestic funds in the long term and diversify funding sources. This Estonian company is a startup with no active business operations at present.

Finbureau's corporate governance structure is comprised of a partners meeting, an executive board and a supervisory board with one independent member, complemented by four independent committees.

[1] The ESG-D heatmap is not a scorecard but illustrates how each factor informs our overall assessment. The Materiality table shows how we assess the credit relevance of each factor for the entire European banking industry. The Exposure table shows to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. The Management table shows how we view the bank's navigation through transitions.

We highlight the role LIEs play in the financial sector, along with MFOs, to develop the domestic economy, empower local communities and improve financial literacy and inclusion.

Social factor

Due to labour shortages, domestic companies are increasing salaries to attract and retain talent and skilled workers. Finbureau is responding to this challenge by focusing on increasing the productivity of current staff.

Finbureau has been a signatory company of the UN Women's Empowerment Principles, which promote gender equality and inclusion, since 2022. As of March 2023, female employees represented over 80% of the company's total workforce (vs 70% in 2021). The majority of the company's top management is also female (75%), resulting in a higher female representation compared to other rated domestic peers.

Supportive earnings capacity and risk exposures due to strong and improving profitability.

The "supportive" earnings capacity and risk exposures assessment reflects our view that Finbureau can maintain strong profitability in absolute terms and, in comparison, to peers.

Finbureau has had a positive track record of revenue growth since its creation. Despite the overall positive evolution of its revenues, the company has been experiencing some bottom-line volatility since 2019. The key drivers of this volatility have been overall a material increase in direct collection costs, due to loan portfolio growth, larger administrative expenses and higher financing costs. The company is scaling up its business to improve operational efficiency.

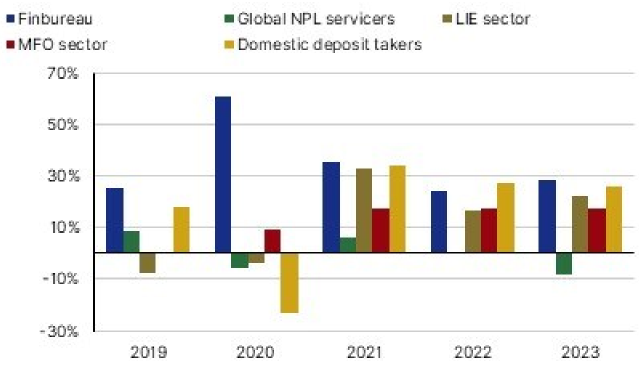
In contrast to the losses reported by other LIEs in 2019 and 2020, Finbureau has been able to maintain solid profitability. It has not reported a loss since its creation in 2018, when the company started operating in the debt collection and management business.

Very strong profitability in recent years, outperforming main peers

Finbureau has strong profitability metrics, with double-digit RoE and RoA, thanks to dynamic portfolio acquisition and material recovery rates. Profitability is inherently volatile. In 2022, lower net income was due to higher collection costs, higher administrative expenses and higher funding expenses.

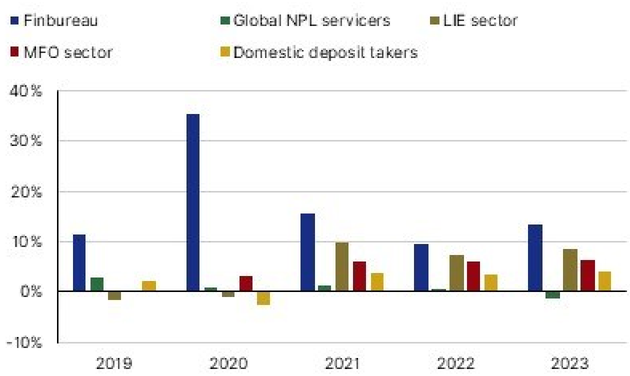
In 2023, net income increased by more than a third thanks to lower direct collection costs of the loan portfolio, driven by materially lower court fees on court cases, and higher other income.

Figure 8: RoE of Finbureau vs global NPL servicers, LIEs, MFOs and domestic deposit-takers (2019-2023)



Source: Company data, Scope Ratings

Figure 9: RoA of Finbureau vs global NPL servicers, LIEs, MFOs and domestic deposit-takers (2019-2023)



Source: Company data, Scope Ratings

Finbureau's asset mix is mainly comprised of purchased loan portfolios. It does not have any investment securities or any other investment assets. Other assets include property, plant and equipment, intangible assets and cash at commercial banks.

Finbureau's portfolio is made up of unsecured loans

The company's portfolio is made up entirely of unsecured loans. We understand that the loan portfolio composition is not going to change in the near future.

A certain level of asset risk is intrinsic to the business model, given the nature of the portfolios purchased. However, we believe this risk is adequately mitigated by the portfolios' low purchase prices, which are set taking into account historical data and expected recovery rates.

The volatility of purchase prices of loan portfolios also impacts revenue generation. They were more expensive in the recent past (on average 14% and 16% of gross book value in 2022 and 2021 respectively) compared to past periods (10% and 6% of gross book value in 2019 and 2018 respectively). This was mostly due to the change in the asset quality profile of underlying assets Finbureau now wants to focus on high quality or fresh portfolios, with gross book value below 10%, until its operational efficiency metrics improve.

Changing economic conditions may lead to lower or slower recovery rates compared to initial expectations. Similarly, banks' origination practices may change, leading to different recovery rates.

Reflecting the highly concentrated structure of the Georgian banking sector, the company is significantly dependent on a few loan portfolio originators for a large portion of its business. It would be a material challenge for Finbureau if the originators' appetite for portfolio sales were to diminish. Since the largest NPLs portfolios have already been sold, current sales focus on newer and better-quality NPLs.

Finally, changes in the domestic regulatory environment (e.g., insolvency law) might also significantly impact the debt purchase and collection business, increasing its costs or halting business.

Financial viability management: low and improving leverage, but funding dependence on few domestic commercial banks.

The "adequate" financial viability management assessment reflects our view that funding and capital resources are sufficient to support business developments in the short-to-medium term. However, the heavy reliance on funding from only a few domestic commercial banks is a constraining factor. Liquidity has declined since its peak in 2021 following the acquisition of loan portfolios.

Low leverage and high earnings retention indicate prudent financial management

As a LIE, Finbureau is not subject to minimum regulatory capital or liquidity requirements. The leverage ratio (total assets/total equity), which is the main indicator used by management to steer Finbureau's capital position, stood at 2.1x as of December 2023, meaning that practically half of its balance sheet is funded by equity. This ratio has been roughly stable since 2019 thanks to high profitability and high earnings retention and despite fast growth in assets. However, the payout ratio increased materially in recent years (51% vs 36% in 2022 and 17% in 2021). We now expect that the payout ratio will remain stable at current level to keep the funding structure balanced.

We view Finbureau's funding dependence as its main financial viability risk. Its main source of funds is medium-term loans (three to five years) in domestic currency from Georgian commercial banks. As a LIE, the company cannot take deposits, which explains its dependence on financial institutions. To reduce this dependence, the company is planning to borrow from international financial institutions via the Estonian investment company controlled by Finbureau's initial owners. This project is in place but not yet active.

We note that the company also benefits from a USD 10m personal guarantee from shareholders to back a GEL 16m loan granted by a local financial institution.

Finbureau's audit report for 2023 highlighted non-compliance with some of its bank loan covenants. These were related to certain commercial conditions in the loan agreements and were resolved with all the counterparties involved providing waiver letters to Finbureau. We understand that breaches are unlikely to happen again since most of the agreements will be reviewed or closed by the end of this year.

Liquidity, measured as cash and cash equivalents, tends to fluctuate depending on loan portfolio acquisitions and debt collections. This evolution is inherent to the company's business model, which uses its available liquidity along with funding from banks to acquire portfolios. Liquidity has improved since 2022.

The company does not have any funding in foreign currencies, but some lease liabilities in USD. Therefore, the currency mismatch is very limited and not a credit concern. Due to the government's larisation (de-dollarisation) programme since 2017, the share of foreign currency loans fell to 3% of total financial assets in December 2023 (versus 5% of total financial liabilities)

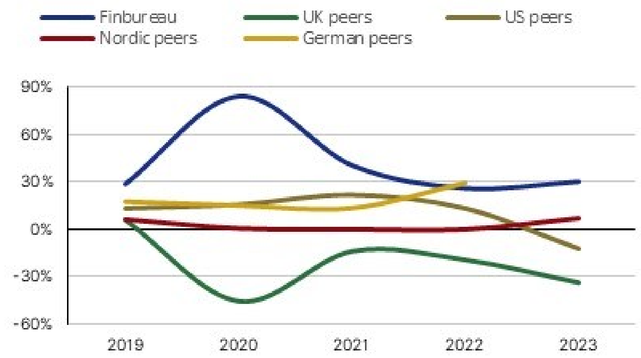
Credit rating list

		Credit rating	Outlook
Issuer	**Finbureau LLC**		
	Issuer rating	B	Stable

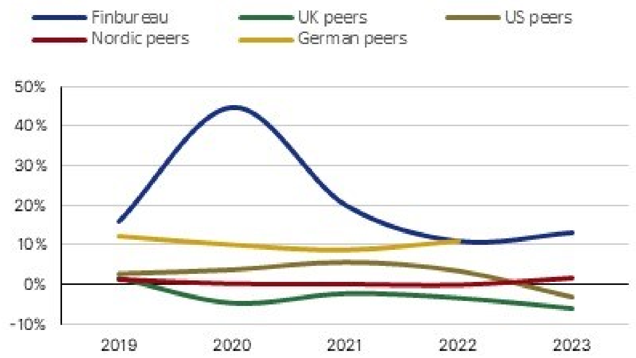
Financial appendix

I. Appendix: Peer comparison

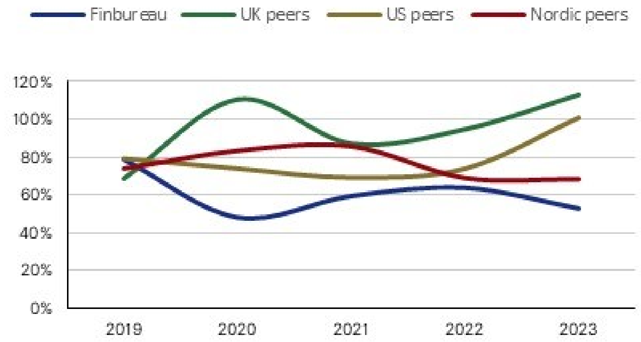
Return on average equity (%)



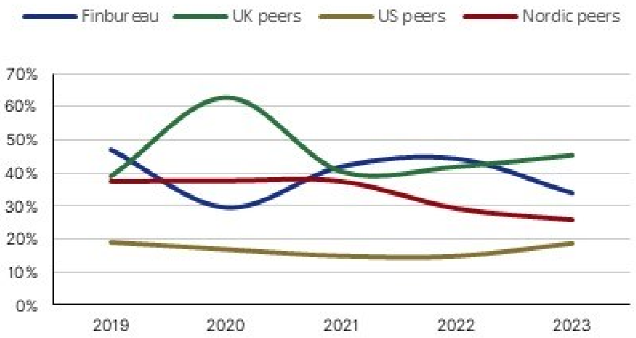
Return on average assets (%)



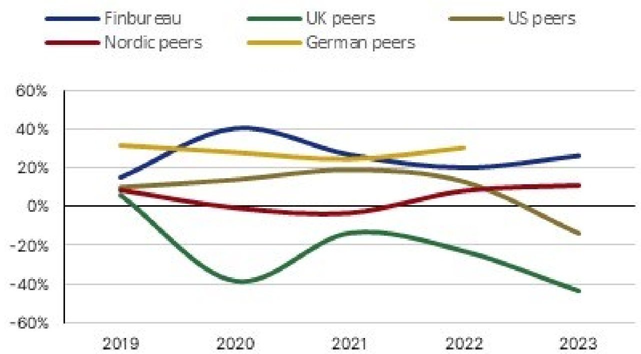
Cost/income ratio (%)



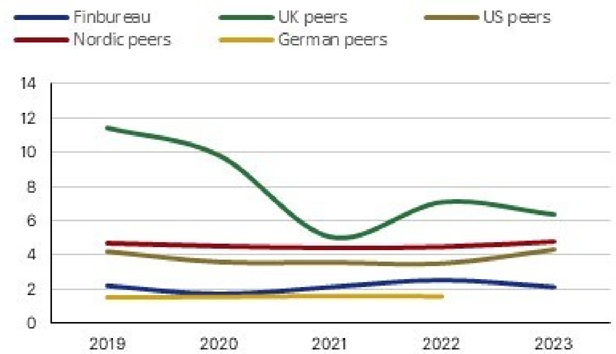
Collection costs/total income (%)



Net profit/total income (%)



Total assets/total equity (x)



UK peers: Arrow Global, Lowell, Cabot Credit Management
US peers: Encore Capital, PRA Group
Nordic peers: Intrum, Hoist Finance, Axactor
German peers: EOS Solutions
Source: Company data, Scope Ratings

II. Appendix: Selected financial information – Finbureau LLC

Balance sheet (GEL, 2019-2023)

	2019Y	2020Y	2021Y	2022Y	2023Y
Assets					
Cash and cash equivalents	282,816	1,510,895	4,874,290	536,258	1,344,304
Amount due from credit institutions	3,200,000	3,550,000	6,343,032	6,360,633	-
Loans issued	-	-	422,349	449,257	248,358
Advances paid for loan portfolio	-	-	500,000	-	-
Other assets	63,214	68,938	70,734	371,334	405,353
Purchased loan portfolio	9,976,523	18,754,399	31,905,012	53,446,719	57,287,313
Deferred tax asset	-	36,644	53,602	-	51,625
Intangible assets	38,118	47,537	46,138	63,707	48,803
Right-of-use assets	1,207,633	1,813,806	2,045,883	1,502,475	2,004,906
Property and equipment	654,875	832,632	951,781	774,160	550,859
Total assets	**15,423,179**	**26,614,851**	**47,212,821**	**63,504,543**	**61,941,521**
Liabilities					
Deferred tax liability	272,347	1,822,682	0	17,791	0
Tax liabilities	-	-	2,606,461	3,226,905	3,779,019
Lease liabilities	1,262,206	2,003,354	2,209,747	1,544,900	2,070,052
Borrowings	5,872,478	5,985,551	19,022,570	31,827,765	26,204,653
Trade and other payables	1,045,522	1,406,822	2,263,813	1,926,416	888,893
Total liabilities	**8,452,553**	**11,218,409**	**26,102,591**	**38,543,777**	**32,942,617**
Charter capital	-	872,841	195,044	195,044	195,044
Retained earnings	6,970,626	14,523,601	20,915,186	24,765,722	28,803,860
Total equity	**6,970,626**	**15,396,442**	**21,110,230**	**24,960,766**	**28,998,904**
Total liabilities and equity	**15,423,179**	**26,614,851**	**47,212,821**	**63,504,543**	**61,941,521**

Income statement (GEL, 2019-2023)

	2019Y	2020Y	2021Y	2022Y	2023Y
Income statement summary (GEL)					
Revenue	**11,894,863**	**23,273,346**	**27,544,751**	**29,517,513**	**29,859,170**
Other income	0	0	0	545,012	1,382,595
Direct collection costs of loan portfolio	5,585,890	6,875,800	11,251,268	13,294,424	10,588,407
Employee expenses	3,023,702	2,993,185	3,225,879	3,009,797	3,400,859
Depreciation and amortisation	311,528	695,610	1,121,549	1,176,311	1,169,685
Other operating income/expenses net	810,464	1,280,193	1,895,213	2,918,241	2,466,829
Other income/(expenses)	0	0	0	0	0
Operating profit	**2,163,279**	**11,428,558**	**10,050,842**	**9,663,752**	**13,615,985**
Finance income	307,923	356,803	497,821	819,619	419,002
Finance expenses	331,920	833,772	1,468,578	3,470,582	4,313,641
Foreign exchange gain/(loss), net	-68,871	97,299	-105,437	-91,257	26,457
Profit before income tax	**2,070,411**	**11,048,888**	**8,974,648**	**6,921,532**	**9,747,803**
Income tax expenses	288,675	1,664,679	1,305,983	901,213	1,568,227
Total comprehensive income	**1,781,736**	**9,384,209**	**7,668,665**	**6,020,319**	**8,179,576**

Source: Company data, Scope Ratings

III. Appendix: Selected financial information – Finbureau LLC

Selected Financial Data	2019	2020	2021	2022	2023
Earnings					
Net profit margin (%)	15%	40%	28%	20%	27%
Return on equity (%)	26%	61%	36%	24%	28%
Return on assets (%)	12%	35%	16%	9%	13%
Operational efficiency					
Cost/Income	79%	48%	59%	65%	55%
Collection costs/Total income	47%	30%	41%	45%	35%
Other operating expenses/Total income	32%	18%	19%	20%	20%
Gross Money Multiple (x)	9.5	7.2	6.0	3.4	3.7
Cashflow from operations / debt	-68%	65%	-11%	-33%	37%
Net income / Average Managed assets	16%	45%	21%	11%	13%
Capital and leverage					
Leverage ratio	221%	173%	224%	254%	214%
Liabilities / equity	121%	73%	124%	154%	114%
Loans to total assets (%)	65%	70%	68%	84%	92%
Dividend payout ratio	10%	20%	17%	36%	51%
Funding and liquidity					
Current ratio (%)	63%	59%	84%	53%	147%
Cash ratio (%)	4%	15%	19%	2%	15%
Short-term funding / total funding	0%	0%	53%	81%	35%
Adjusted ST funding / total funding	0%	0%	45%	27%	NA
Debt / EBITDA (x)	2.2	0.5	1.6	2.8	1.7

Source: Company data, Scope Ratings

Note: Ratio calculation

a) Net profit margin (%) = Total comprehensive income/revenue
b) Return on equity (%) = Total comprehensive income/total equity
c) Return on assets (%) = Total comprehensive income/total assets
d) Cost/income (%) = (Collection costs of loan portfolio + employee expenses + other operating income/expenses net + other income/(expenses))/revenue
e) Collection costs/total income (%) = Collection costs of loan portfolio/revenue
f) Other operating expenses/total income (%) = (Employee expenses + other operating income/net expenses + other income/(expenses))/revenue
g) Estimated remaining collection (ERC) = Finbureau's estimate of the gross amount that can be collected on the loan portfolios currently owned by the company. It is the sum of all undiscounted future projected cash collections from acquired portfolios.
h) Gross money multiple (GMM, %) = Purchase price for the loan portfolio (Buy amount)/total life income of the loan portfolio
i) Cash flow from operations/debt (%) = Net cash outflows from operating activities/total borrowings
j) Net income/average managed assets (%) = Total comprehensive income/average total assets of year t and year t-1
k) Leverage ratio (%) = Total assets/total equity
l) Liabilities/equity = Total liabilities/total equity
m) Loans/assets (%) = Purchased loan portfolio/total assets
n) Current ratio (%) = Current assets/current liabilities
o) Cash ratio (%) = Cash/current liabilities
p) Short-term funding/total funding (%) = Short-term borrowings/total borrowings
q) Adjusted short-term funding/total funding (%) = Short-term borrowings/total borrowings, adjusting the borrowings that are not short-term funding to long-term funding due to technical breaches
r) Debt/EBITDA (%) = Borrowings/ (Total comprehensive income + income tax expenses + finance expenses + depreciation and amortisation)

Analyst

Alvaro Dominguez Alcalde, London
a.dominguez@scoperatings.com

Team Leader

Marco Troiano, CFA
m.troiano@scoperatings.com

Applied Methodologies

Financial Institutions Rating Methodology, February 2024

Scope Ratings UK Limited

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

in
Bloomberg: RESP SCOP
info@scoperatings.com
Scope contacts

Disclaimer