



Rating Action: Moody's assigns Ba2 rating to KRUK's proposed Senior Unsecured notes

17Apr2023

Frankfurt am Main, April 17, 2023 -- Moody's Investors Service ("Moody's") has today assigned a Ba2 senior unsecured debt rating to KRUK SA's (KRUK) proposed senior unsecured notes and has simultaneously withdrawn KRUK's Ba2 issuer rating. KRUK is a publicly-listed debt purchasing company with operations in Poland, Romania, Italy, Spain, Czech Republic, Slovakia and Germany.

RATINGS RATIONALE

The Ba2 senior unsecured debt rating reflects KRUK's Ba1 corporate family rating (CFR) and the priorities of claims and asset coverage in the company's liability structure following the new senior unsecured bond issuance. In particular, the high proportion of KRUK's secured bilateral and syndicated revolving credit facilities (RCF) indicates higher loss-given default for senior unsecured instrument classes, resulting in a positioning of the senior unsecured rating one notch below the company's Ba1 CFR.

The issuer rating, as an opinion of the ability of an entity to honor senior unsecured debt and debt like obligations, was assigned as part of the initial rating assessment of KRUK. Since Moody's has assigned a Ba2 senior unsecured debt rating, the issuer rating is no longer needed.

Moody's has decided to withdraw the rating for its own business reasons. Please refer to the Moody's Investors Service Policy for Withdrawal of Credit Ratings, available on its website, <https://ratings.moody.com>.

OUTLOOK

The outlook on KRUK is stable, reflecting the expectation that KRUK will maintain its strong financial performance, particularly that the company's profitability and leverage metrics will remain sound and that there will be no near-term adverse changes related to debt collection legislation in its core markets Poland or Romania.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The Ba2 senior unsecured rating is likely to be upgraded following an upgrade of KRUK's CFR. The senior unsecured rating could also be upgraded if the recovery rate for senior unsecured debt classes improves.

The upgrade of KRUK's CFR is likely if the company continues to maintain its strong profitability without a substantial increase in leverage, improves and diversifies its funding profile, and further diversifies its geographic footprint, which would reduce the company's exposure to regulatory risk in a given market.

A downgrade of KRUK's CFR would likely result in a downgrade of the Ba2 senior unsecured rating.

KRUK's CFR could be downgraded if the company's profitability and leverage metrics will significantly deteriorate or in case of implementation of adverse regulatory developments that would significantly hurt the company's franchise in a given market.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies Methodology published in November 2019 and available at <https://ratings.moodys.com/api/rmc-documents/65543>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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