

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms KRUK S.A.'s Ba1 corporate family rating, outlook stable**

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12 Dec 2024

Frankfurt am Main, December 12, 2024 -- Moody's Ratings (Moody's) has today affirmed KRUK S.A.'s (KRUK) Ba1 corporate family rating (CFR) and its Ba2 senior unsecured debt rating. The issuer outlook remains stable.

#### RATINGS RATIONALE

The affirmation of the Ba1 CFR reflects several factors, notably a re-assessment of the applicable operating environment within which KRUK operates as a dedicated debt purchaser and debt collector, as well as the company's strong performance against the backdrop of the highly cyclical and challenging operating environment.

Similar to other debt purchasing and debt collection companies KRUK's CFR is constrained by the operating environment score, which we have lowered for all rated debt purchasing companies to B1. KRUK's applicable operating environment score was Ba3 previously. The change reflects our view that the sector is highly cyclical, sensitive to the availability of nonperforming loans, and affected by changes in collection patterns through economic cycles. During periods of the credit cycle with high interest rates, access to capital and cost of capital can represent material challenges as the debt purchasing business is capital and technology intensive, while low availability of nonperforming loan supply results in highly competitive pricing, thus significantly affecting the profitability of debt purchasers.

At the same time, the affirmation of the Ba1 CFR acknowledges KRUK's strong and consistent profitability as compared to most of its rated peers and its prudent financial policy as demonstrated by moderate leverage and a sizeable equity cushion. KRUK benefits from its strong market positions in Poland and Romania, both markets with currently favourable market dynamics for debt purchasing companies. Additionally, KRUK operates in Spain and Italy, markets that are larger but also face more intense competition.

We have introduced a one-notch positive adjustment to KRUK's financial profile recognizing the company's track record of prudent liquidity management. KRUK's

financial policy focuses on stability and growth, avoiding excessive leverage and aggressive dividend payouts. A key differentiator is KRUK's public commitment to repaying debt from cash flow generated by existing assets, without relying on debt rollover, and refinancing maturities well in advance. This prudent strategy, coupled with moderate dividend payouts, highlights KRUK's dedication to financial stability, adequate liquidity, and resilience, reducing refinancing risk during unfavorable market phases.

The Ba2 rating of KRUK's senior unsecured notes reflects their priorities of claims and asset coverage in the company's current liability structure.

## OUTLOOK

The outlook on KRUK is stable, reflecting our expectation that KRUK will maintain its solid financial performance, particularly that the company's profitability and leverage metrics will remain sound despite intense competition in the debt purchasing sector.

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

KRUK's CFR could be upgraded if the company sustains its exceptionally strong profitability and prudent financial policy, manages further growth while avoiding a substantial increase in leverage, and improves and diversifies its funding profile.

An upgrade of KRUK's CFR would likely result in an upgrade of the Ba2 senior unsecured rating or in case of changes in the liability structure that would decrease the amount of debt considered senior to the notes or increase the amount of debt considered junior to the notes.

KRUK's CFR could be downgraded if the company's profitability and leverage metrics significantly deteriorate. Furthermore, a downgrade could be triggered by adverse changes to KRUK's prudent financial policy. An additional downgrade trigger may arise from rapid, predominantly debt-financed growth, as such expansion is associated with a heightened risk of mispricing and resource overextension.

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

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425167>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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