# GetBack S.A. (Poland)

full rating report

| Category | Level |
| --- | --- |
| Long-term issuer credit rating | BB |
| Rating outlook | stable |

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## Selected financial data

**GetBack S.A.**
(consolidated)

| (mln PLN) | 2015 | 2Q16* |
| --- | --- | --- |
| Sales income | 206,7 | 160,0 |
| EBITDA | 125,5 | 92,0 |
| Operating profit | 122,6 | 89,4 |
| Net result | 120,3 | 74,4 |
| Total assets | 655,4 | 1159,8 |
| Equity | 185,8 | 260,0 |
| Long-term liabilities | 156,1 | 266,9 |
| Short-term liabilit. | 313,6 | 632,9 |

** data from income statement cumulative for the first two quarters of 2016*

## Contancts


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## The main factors affecting the assigned credit rating

**Moderate susceptibility to changes in macroeconomic parameters:** GetBack S.A. operates in the recovery of overdue retail receivables. The condition of the company may be affected both by macro factors affecting the effectiveness of recovery, as well as the factors influencing the situation in the banking sector, which is the main source of debt supply.

**A brief history of business:** GetBack S.A. has been operating since 2012 and in recent years the company has quickly increased its scale of operations. In June of 2016 there were changes in the ownership of the company where Idea Bank S.A. sold all its shares to a consortium of private equity funds.

**High profitability:** The margins generated by the GetBack Group are among the highest in the industry and a very high return on capital allows the company to quickly increase the value of equity.

**Large financial leverage:** The company finances the dynamic development mainly with the help of foreign capital – buying debt portfolios with a deferred payment, as well as incurring higher and higher financial liabilities (until now by rather short repayment periods).

**Negative free cash flow:** The balance of cash flows from operating activities and cash flows from investing activities are characterised by high volatility and are generally negative, which means external finance is needed.

**Rising dependence on financing in the capital market:** The most important source of external capital funding for the GetBack Group are bonds, which now account for almost 90% of interest-bearing debt. The company is vulnerable to possible fluctuations of the investors' aversion to risk.

**Moderate probability of support:** Currently, GetBack S.A. shareholders are several private equity funds. The likelihood of support from the owners of the company in a crisis situation we assess as moderate.

**Planned further increase of the scale of operations:** In the medium term, the company plans further dynamic growth of the balance sheet total, which will require access to large borrowed capital financing, and possibly also an increase of the company's equity.

## Stable rating outlook

The stable outlook assigned to the rating means, that according to current estimates of the EuroRating credit rating agency, the rating assigned to the company should most probably remain unchanged in the horizon of the next 12 months.

# Company profile

## *Registration data*

**Company name and the registered seat:** GetBack S.A., Powstancow Slaskich 2-4, 53-333 Wroclaw (Poland)

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National Court Register No. (KRS): 0000413997, EU-VAT No.: PL8992733884, REGON No.: 021829989

**Business activity (the group)**: purchasing debt on its own account or on behalf of securitisation funds and collecting debts on its own account, as well as portfolio management, including securitised receivables in investment funds.

**The management board**: Konrad Kąkolewski – President of the Board, Paweł Trybuchowski – Vice-President of the Board, Anna Paczuska – Vice-President of the Board, Mariusz Brysik – Member of the Board, Marek Patuła - Member of the Board, Bożena Solska – Member of the Board.

**Public trading in securities**:

- bonds – Catalyst, Warsaw (Alternative Trading System organized by the Warsaw Stock Exchange S.A. and by BondSpot S.A.)

## *Company history*

GetBack S.A. was registered in the National Court Register in March 2012. In September of 2012, the company was authorised by the Polish Financial Supervision Authority to manage receivables securitisation funds. This permit allows the company to acquire debt portfolios and to collect debts under agreements to manage all or part of the investment portfolio, including securitised receivables in non-standardised securitisation closed-end investment funds (NS FIZ) not controlled by GetBack, as well as those securitisation funds in which GetBack S.A. holds investment certificates. An important step in the development of the company's activity was the creation, within the investment funds management company Open Finance TFI, in February 2013, the easyDEBT NS FIZ fund, in which GetBack S.A. holds 100% of the investment certificates.

In May 2013, a law firm was established, which was part of the group's activities in making preliminary selection of receivables, as well as to enforce the repayment of debts during court proceedings as well as dealings with the execution bailiff.

In March 2014, the acquisition and receivables management company GetBack Recovery SRL (a subsidiary of GetBack S.A.) started its activity in the Romanian market. In addition to the company, the company Lawyer Associate Consulting SRL was established in Romania.

Until June 2016, GetBack S.A. belonged to the group of companies owned by Mr Leszek Czarnecki. Initially, the shareholding structure consisted of LC Corp B.V. and Merlya Holding Limited and two individuals. In July 2014, 100% of the GetBack S.A. shares were acquired by the company Idea Expert S.A., belonging to the bank Idea Bank S.A., operating as a subsidiary of Getin Holding S.A.

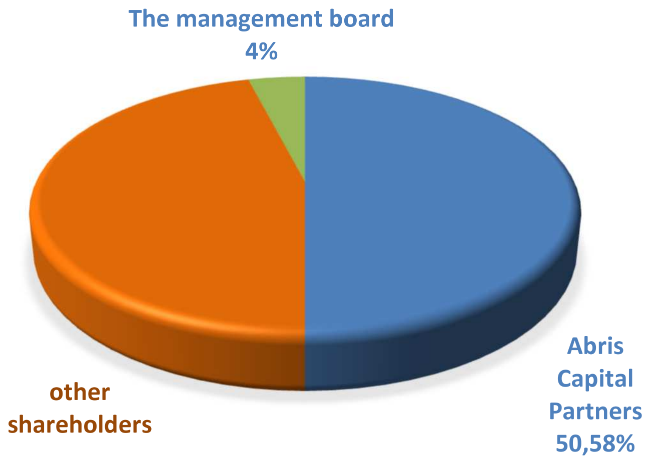
On March 14th 2016, Idea Expert S.A. contributed to Getin International S.a.r.l all the shares in GetBack S.A., in exchange for newly issued shares. On March 15th 2016, an agreement was concluded, under which the company Emest Investments Sp. z o.o. (now operating under the name DNLD Sp. z o.o.), purchased from Getin International S.a.r.l all the shares in GetBack S.A.

## Shareholders

As of the end of September 2016, the sole shareholder of GetBack S.A. was the company DNLD Sp. z o.o., which is an indirect subsidiary of a foreign company DNLD L.P. (limited partnership) in which the shares, as limited partners, is holding a consortium of private equity funds. The funds managed by Abris Capital Partners jointly hold 50.58% of the shares and indirectly control DNLD Sp. z o.o.

As part of the management-buy-out, three members of the board – Konrad Kąkolewski, Paweł Trybuchowski and Mariusz Brysik – indirectly own small stakes in the shares (approximately 4%).

**Chart 1. GetBack S.A. – entities indirectly controlling the company**




*Source: GetBack S.A.*

In the coming years, the share of individual private equity funds may change, and the commitment of the members of the management board in the shares of GetBack S.A. may increase. This is due to the structure of the purchase transaction of GetBack S.A. In June 2016 the funds acting through the company Emest Investments Sp. z o.o. (currently DNLD Sp. z o o) paid about 62% of the total shares price. The remaining part is to be contributed by new or existing investors in the period to mid-December 2017.

The participation of the management board members in the shareholding of the company we evaluate positively. Nevertheless, the probability of support by the owners of the company in a crisis situation we assess as moderate, due to the fact that the main shareholders are investment funds with a medium-term (several years) investment horizon, for which GetBack S.A. is only a part of the investment portfolio.

## Capital group

GetBack S.A. is the parent company of the capital group (GetBack Group), which directly or indirectly controls all the companies. Its main task is to define the objectives and strategy of the group and to coordinate and monitor the activities of its subsidiaries.

The main companies in the GetBack Group include:

- Kancelaria Prawna GetBack Mariusz Brysik sp.k. – a law firm responsible in the group for the initial selection of debt portfolios purchased by the group; the competence of the company includes also enforcing the repayment of debt at the court stage and bailiff proceedings;
- GetBack Recovery SRL – created for an expansion in the Romanian market; it is engaged in the acquisition and management of portfolios of receivables in Romania;
- Neum Pretium Sp. z o.o. – the company is implementing a program of rehabilitation loans for customers who regularly, for at least 12 months, repay their debts;

- Bakura sp. z o.o. SKA and Bakura Sp. z o.o. operate in the field of software and IT consulting for the group;
- closed-end investment funds: easyDebt NS FIZ (100% GetBack S.A. share), Open Finance FIZAN (100%, of which 19% GetBack S.A. holds directly and 81% through Bakura sp. z o.o. SKA); Universe 3 NS FIZ (100%), GETPRO NS FIZ (100%), Debito NS FIZ (100%), Open Finance Wierzytelnosci NS FIZ (100%) Omega Wierzytelnosci NS FIZ (20%), Trigon Profit XIV NS FIZ (20%), Trigon Profit XV NS FIZ (20%), Trigon Profit XVI NS FIZ (20%), Trigon Profit XVIII NS FIZ (20%), Trigon Profit XXI NS FIZ (20%) and Centauris Windykacji NS FIZ (26,6%).

## *Business model*

GetBack Group operates in the field of debt collection, as well as trading and management of debts. It specializes in transactions involving large and medium sized debts. The company is in this area among the largest players in the Polish debt collection market with a portfolio of receivables with a nominal value of approx. 17 billion PLN (which is approx. 20% market share) as of the end of June 2016.

Since 2014 the GetBack Group is also present in Romania. The local debt market is at an early stage of development and has a lower level of competition, which increases its attractiveness for the group. The company GetBack Recovery SRL, through which the GetBack Group performs its operations in Romania, is gradually gaining market share (especially by receivables from the telecommunications industry).

The GetBack Group business model is based primarily on three pillars - its own portfolios, affluent customers and global customers

The activity in the first pillar includes purchasing and servicing of debt portfolios on the own account of the company, as well as investment funds belonging to the group. Currently GetBack S.A. holds 100% of certificates in the following funds: easyDebt NS FIZ, Universe 3 NS FIZ, GETPRO NS FIZ, OFW NS FIZ and Debito NS FIZ. Revenues from this part of the business represent about 60-70% of the total revenues.

Affluent customers are insurance companies, that have set up their own insurance capital funds based on investment certificates issued by the closed-end funds managed by GetBack S.A., as well as investors acquiring directly investment certificates of funds managed by GetBack. The activity of GetBack in this area includes the management of portfolios of receivables in closed-end funds, which are not fully owned by the group.

The section of global clients includes domestic and foreign institutional investors. GetBack S.A. acquires such investors who purchase debt portfolios through non-standardized securitization closed-end funds (in which GetBack S.A. holds minority stakes – usually 20%), which are managed by the company independently or jointly with an another servicer.

Among the debts purchased by GetBack S.A. on its own account or serviced within the non-standardized securitization closed-end funds, the overwhelming majority (approx. 80-90%) are bank loans. Approx. 7-10% of the value of purchased receivables come from the telecommunications sector.

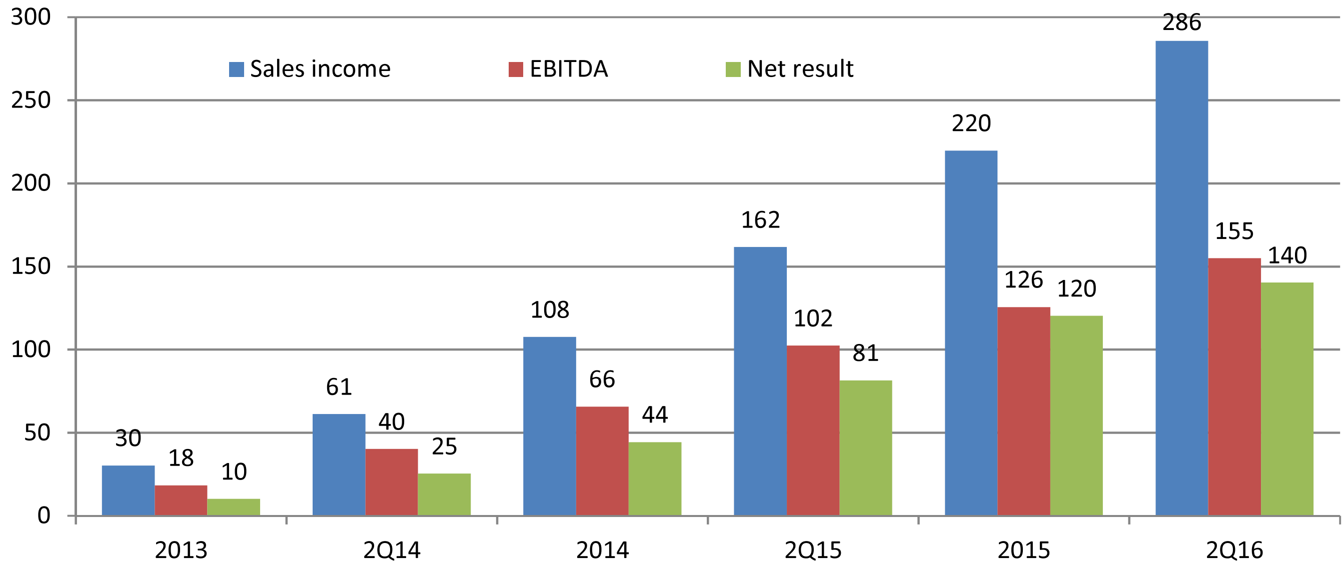
## Financial analysis

The consolidated financial statements of GetBack Group are presented in Tables 6-8 at the end of the report.

In the rating report there are presented data from the financial statements of the company until the first half of 2016, due to the fact that GetBack S.A. did not publish quarterly report for the third quarter of 2016 (the company – according to the information requirements of the Catalyst bond market – publishes only semi-annual and annual financial statements). The financial statement for the third quarter of 2016 was however presented to the EuroRating credit rating agency and was included in the analytical process when assigning the credit rating to the company.

### *Profit and loss account*

**Chart 2. GetBack Group – consolidated sales income, EBITDA result and net result** (mln PLN)



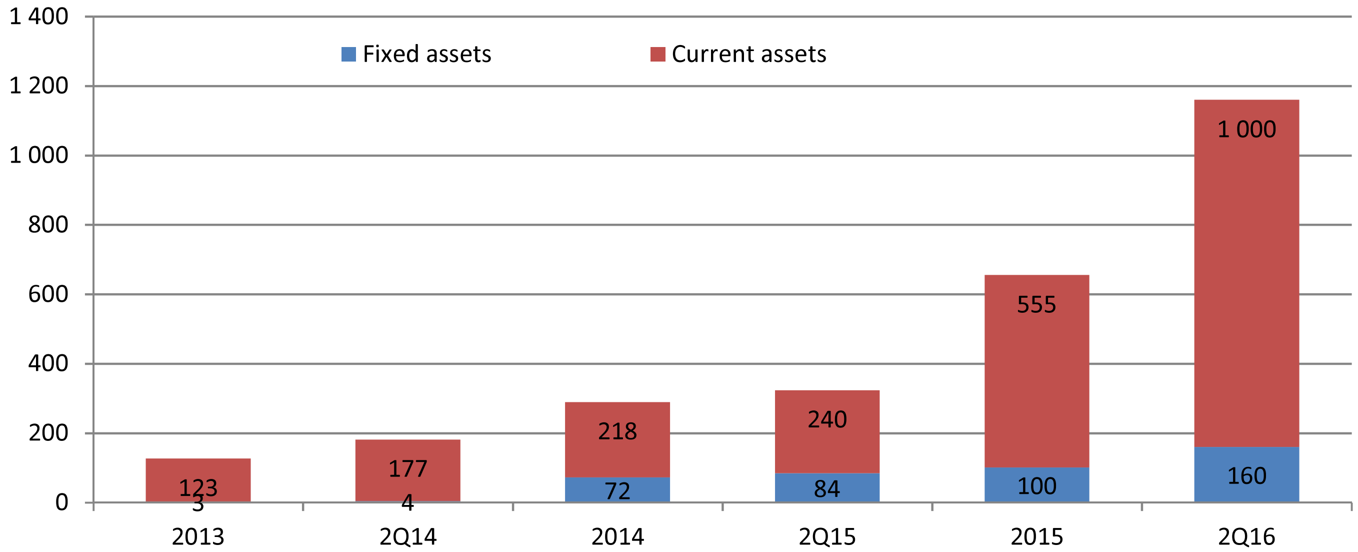

*Source: GetBack S.A., *2Q14, 2Q15 i 2Q16 – amounts cumulative for the last four quarters*

The year 2013 was the first full financial year since the inception of the company. GetBack Group's sales grew rapidly and by mid-2016 (counting the last four quarters) increased almost tenfold compared to 2013. It was derived from the dynamic development of the debt market in Poland, from gaining by the company of high profits (magnifying the equity), as well as from an existance of a high availability of the external financing (including corporate bonds market).

By the end of June 2016 (counting the last four quarters), income from recovery of the purchased receivables accounted for approx. 70% of the total revenue of the group. The rest was almost entirely revenue from the management of portfolios of receivables. Other sources had a small share in the revenue structure.

## *Balance sheet – assets*

**Chart 3. GetBack Group – structure of assets** (mln PLN)




*Source: GetBack S.A.*

The total assets of GetBack Group from 2013 to mid-2016 have grown more than nine times (from 126 million to 1.160 million PLN). This is mainly a result of the company's increasing investments in debt portfolios. The highest nominal growth in total assets was in 2015 and in the first half of 2016, which was related to an increased supply on the debt market (coming mainly from banks) and an increased purchasing activity of the company in that period.

The largest item in the fixed assets in the consolidated balance sheet are investments in associates and in securitization funds (GetBack S.A. presents in these positions the fair value of certificates of the non-standardized securitization closed-end funds), which at the end of the second quarter of 2016 in total accounted for 11% of the total assets.

The main item in the current assets of GetBack Group are investments in debt portfolios, which constitute more than 70% of the total assets of the company. A small percentage of the assets are also trade receivables and cash.

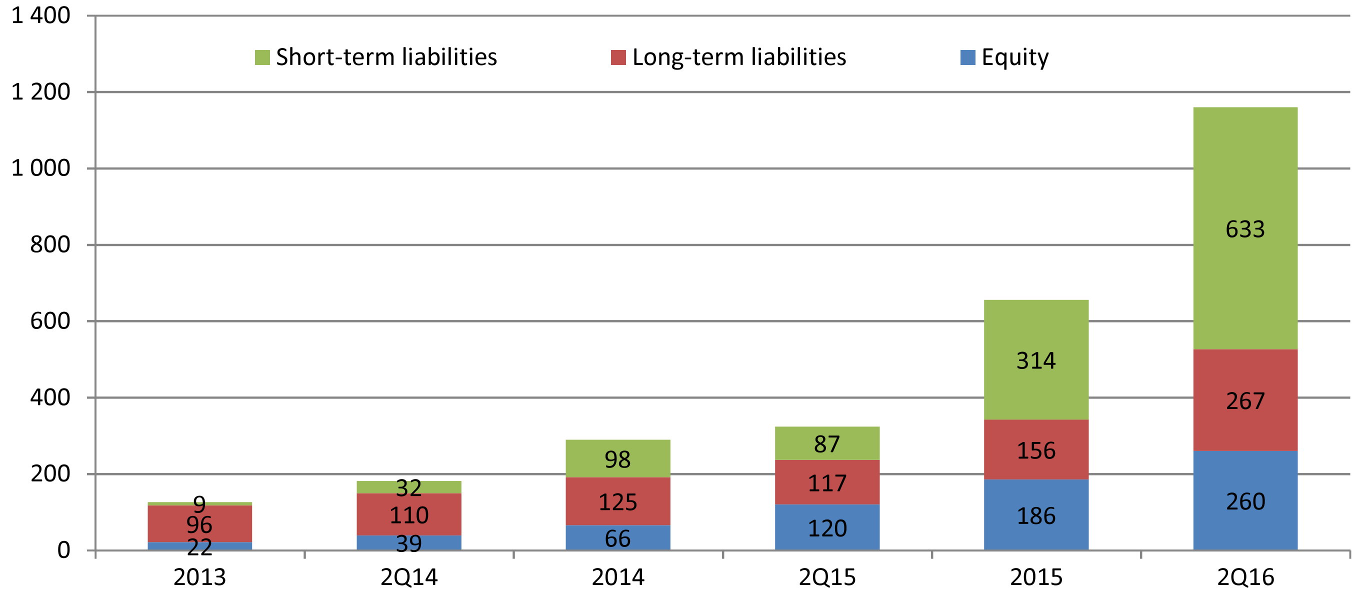
The increase in the value of fixed assets in the past two years was slower than the increase in the value of current assets, as a result of which the share of current assets increased from 75% in 2014 to 86% at the end of the second quarter of 2016.

It should be noted, that despite the fact, that the company shows all the debt portfolios acquired on its own account in the current (short-term) assets, due to the cycle of debt recovery usually lasting even several years, some of the amount of that item of the current assets from the economic point of view should be included in the fixed assets (i.e. those of the rotation period longer than one year).

The company's plans for the period 2017-2020 assume further dynamic expansion of the scale of business operations and an increase in total assets. The structure of assets should however not be altered significantly.

## *Balance sheet – equity and liabilities*

**Chart 4. GetBack Group – equity and liabilities structure** (mln PLN)




*Source: GetBack S.A.*

The value of the GetBack Group's equity steadily grew, which was a result of the gained high profits, as well as the current lack of dividend payments to shareholders of GetBack S.A. The share of equity was increasing until mid-2015, when it reached 37% (against 17% at the end of 2013). In subsequent quarters, despite the nominal increase in the value of equity, its share in the total balance sheet amount fell to 28% at the end of 2015 and to 22% at the end of the second quarter of 2016. It was connected mainly with the need to finance purchases of large receivables portfolios with the external capital.

In the last few quarters, GetBack S.A. managed to obtain favorable conditions for the acquisition of part of the debt portfolios, involving the purchase by non-standardized securitization closed-end funds (mainly from banks) with a deferred payment. As a result, the amount of short-term trade payables increased sharply (from only 23 million PLN in mid-2015 to 423 million PLN at the end of June 2016 – it amounted than to more than 1/3 of the balace sheet total). Due to the simultaneous increase of the value of short-term financial liabilities arising from the issue of bonds (from 56 million PLN in the second quarter of 2015 to 205 million PLN in the second quarter of 2016), the total short-term liabilities of the GetBack Group increased during the 12-moths period up to 6-fold, and their share in the balace sheet total increased from 27% to 55%.

The long-term liabilities were characterized by a much slower growth. They consisted mainly of commitments due to the issue of bonds maturing in more than 12 months. Their value increased from 102 million PLN in the second quarter of 2015 to 207 million PLN in the second quarter of 2016. The share of the total long-term liabilities in the structure of the balance sheet decreased from 36% to 23%.

However, we expect that at the end of 2016 the negative trends in the development of the term structure of liabilities should be partially reversed. The company recently issued various series of bonds with a maturity of over a year (in December alone the total issue value exceeded 150 million PLN), which, on the one hand increases the value of long-term liabilities, and on the other hand, allows the company to pay off current liabilities from purchased debt portfolios and to redeem maturing bonds.

A specification of the value of bonds outstanding, broken down by maturities, as on September 30th 2016, is presented in Table 1

The issuance of many small series of medium-term bonds do not provide an increase in the stability of financing in the long run. Therefore GetBack S.A. is currently implementing a process of change in the method of financing its activities. The company plans to soon launch a program of a public issue of bonds with a maximum value of 300 million PLN. GetBack S.A. initiailly intends to carry out in 2017 under this program 2-3 large public bond issues, which will replace the small private issues carried out so far more than a dozen times a year.

**Table 1. Commitments due to the issue of bonds by maturity**

| Maturity | Amount (thous. PLN) |
|---|---|
| 0-6 months | 89 946 |
| 7-12 months | 123 816 |
| 13-18 months | 16 080 |
| 19-24 months | 129 619 |
| 25-30 months | 60 080 |
| 31-36 months | 64 245 |
| 37-42 months | 46 180 |
| **Total** | **529 966** |

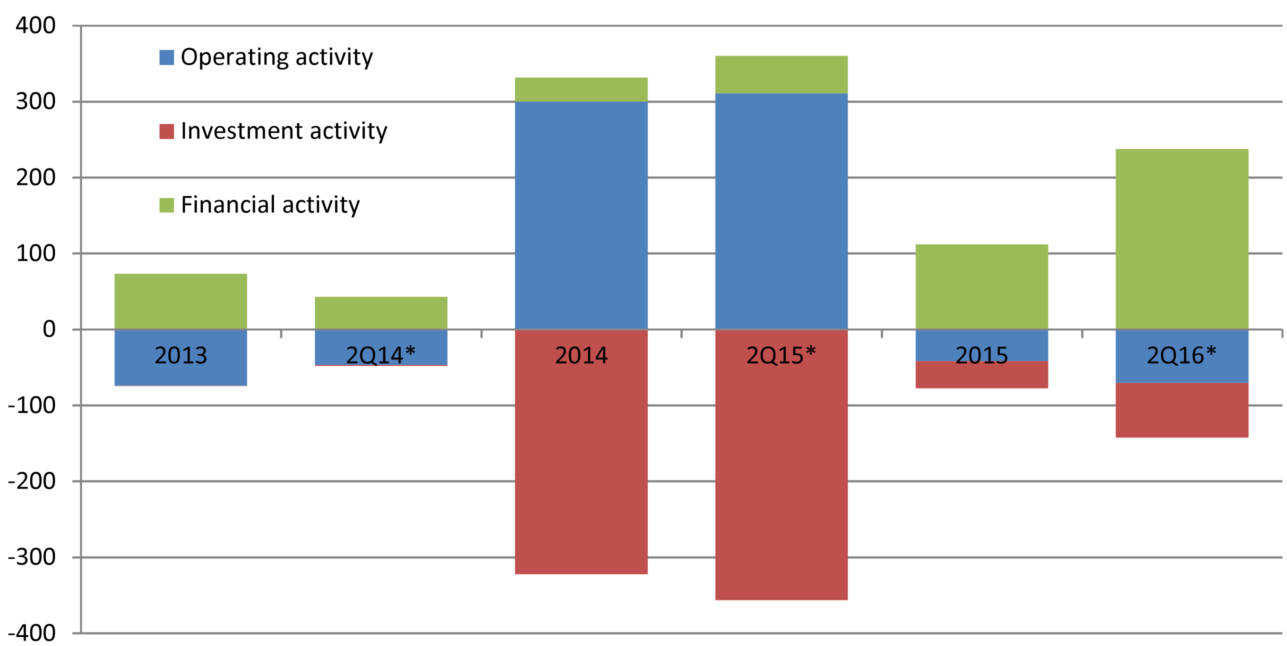
*Źródło: GetBack S.A.*

Moreover, the company does not exclude the acquisition of a long-term bank financing (recently GetBack S.A. announced the acquisition by its subsidiary a credit-like funding to the amount of 105 million PLN). GetBack S.A. also entered into an agreement with a foreign investor (not mentioned previously by name) on the establishment of a framework of cooperation for the next year, in order to jointly make significant investments in debt portfolios on the Polish market. The company also plans to reinvest the total net profit in the coming years.

GetBack Group will therefore continue to expand the scale of its operations, measuring by the value of acquired debt portfolios, but the development in the coming quarters and years should be on more solid foundations – including the share of equity and the term structure of liabilities.

## *Cash flow statement*

**Chart 5. GetBack Group – cash flows** (mln PLN)




*Source: GetBack S.A. *2Q14, 2Q15 i 2Q16 - amounts cumulative for the last four quarters*

Cash flows from operating activities (on a consolidated level) in the previous years were very volatile, with only a couple of quarters remaining at positive levels. These fluctuations were not correlated with the value of the EBITDA generated by the company, but were dependent to a large extent, among others, on changes in investments in debt portfolios or changes in trade payables.

The value of capital expenditure was also characterized by a high volatility, with the biggest increase occuring in 2014 (the acquisition of the company in Romania, as well as companies Bakura Sp. z o.o., Bakura Sp. z o.o. sp.k., Bakura Sp. z o.o. S.K.A., GetBack Investments Sp. z o.o. and Open Finance FIZAN).

The value of free cash flows (net cash flows from operating and investing activities) for the last three years has been consistently negative, mainly due to the dynamic growth in the scale of company's operations and, consequently, brought about the necessity of increasing the level of debt.

## *Ratio analysis*

A description of formulas of the analyzed financial ratios is presented in table 10 included at the end of the report.

### Table 2. GetBack Group – margin ratios

| Revenues and margins | 2013 | 2014 | 2015 | 2Q16* |
|---|---|---|---|---|
| Dynamics of total revenues | | 255.5% | 104.2% | 76.8% |
| EBITDA margin | 60.5% | 61.1% | 57.1% | 54.2% |
| Operating margin | 57.7% | 59.8% | 55.8% | 52.7% |
| Net margin | 33.4% | 41.2% | 54.8% | 49.1% |

*Source: own calculations based on the consolidated financial statements of the GetBack Group, * calculated for the values of the last four quarters*

The margins generated by the GetBack Group are among the highest in the industry. This is a derivative, among other things, of the business model of the group, which assumes a selective offering in tenders for the best quality debt portfolios, that is, which in the assumptions should ensure the return of approx. 2.5 times of the initial investment.

In recent quarters, the margins realized by GetBack S.A. decreased slightly. This is a result of generally rising (due to a growing competition in the industry and a better quality of offered debt portfolios) price claims. Currently, the purchase price of a debt package from a telecommunication companies ranges from 25 to 45%, while retail loans portfolios cost approx. 15-25% (depending on the loan type and the stage of debt recovery carried out by the bank).

Generally, the very high margins achieved by GetBack S.A. we assess definitely positive. However, to risk factors we include the high volatility and negative value of the free cash flows (net cash flow from operating activities and investing activities) generated by GetBack S.A., which is associated with the periodically very high capital expenditures on purchases of receivables portfolios.

In addition, when assessing the profitability of GetBack S.A. we also take into account the short history of the company, and the fact that the period of company operations so far included relatively favorable business conditions for the debt collection industry (on the one hand a very high supply of debt, and on the other hand, relatively high collectability of receivables). The history of the company operations therefore do not cover a full business cycle, hence it is difficult to evaluate the potential impact of adverse economic conditions on the financial condition of the company (including its financial results). Due to the current very high level of margins, it seems however, that GetBack S.A. has in this regard a wide range of safety.

### Table 3. GetBack Group – financing ratios

| Financing | 2013 | 2014 | 2015 | 2Q16 |
|---|---|---|---|---|
| Total liabilities to assets | 0.83 | 0.77 | 0.72 | 0.78 |
| Equity to assets | 0.17 | 0.23 | 0.28 | 0.22 |
| Equity to assets excl. Intangible assets | 0.16 | 0.22 | 0.27 | 0.21 |
| Coverage of noncurrent assets | 36.6 | 2.7 | 3.4 | 3.3 |
| Stability of financing | 0.9 | 0.7 | 0.5 | 0.5 |
| Total liabilities / Total sales revenue | 3.5 | 2.1 | 2.1 | 3.2 |
| Total liabilities / EBITDA | 5.7 | 3.4 | 3.7 | 5.8 |
| Total liabilities net / EBITDA | 5.3 | 3.2 | 3.3 | 5.2 |
| Net financial debt / EBITDA | 4.7 | 1.8 | 1.6 | 2.0 |
| Total financial debt / Equity | 4.4 | 2.0 | 1.4 | 1.6 |
| Net financial debt / Equity | 4.0 | 1.8 | 1.1 | 1.2 |

*Source: own calculations based on the consolidated financial statements of the GetBack Group*

The financing structure of the GetBack Group improved gradually until 2015, as reflected by, among others, the equity to assets ratio, which increased from 0.17 in 2013 to 0.28 at the end of 2015. In the first half of 2016 the structure of liabilities has, however, weakened due to a significant increase in commitments (mainly short-term – from the purchase of debt portfolios). This resulted in an increase in the total liabilities to assets ratio at the end of June 2016 to 0.78 (the share of equity in the balance sheet total fell to 0.22). It should be noted that GetBack S.A. has generally one of the highest levels of the total debt ratio in the debt collection industry, which reflects the current fairly aggressive policy of financing of the company's dynamic development.

The coverage of noncurrent assets by the constant (long-term) capital is incessantly at high and theoretically very safe levels. However, the assessment of this ratio should take into account the fact, that its value affects relatively small amount of the noncurrent assets. In economic terms (due to the debt collection duration lasting even several years) the fixed assets should comprise also a significant part of the amounts recognized in current assets in the item "investments in debt portfolios". A moderately favorable situation in this respect confirms the stability of financing ratio (constant capital / total assets), which is characterized by a downward trend.

GetBack S.A. significantly increased purchases of debt portfolios in the first half of 2016. The expenditures were financed mainly by an increase in liabilities, which resulted in a significant increase in the value of the relation of the total liabilities to sales revenue. It should be however expected, that with the anticipated increase in revenues (which will come, among others, from the collection of the newly purchased debt portfolios), this ratio should be lowered again to satisfactory levels.

In the first half of 2016, the ratio: total liabilities (gross and net) to EBITDA, as well as the ratio: net financial debt to EBITDA, both worsened. Although their current levels should be evaluated already as slightly elevated, it should also be noted that (in opposition to the total liabilities to total assets ratio) GetBack S.A., thanks to the very high margin ratios and, in consequence, high return on assets ratios, has so far presented favorably with other companies from debt collection industry in terms of values of the debt to EBITDA ratios.

We take into account the possibility, that due to the recent large purchases of debt portfolios and numerous bond issues carried out in the second half of 2016, interest-bearing debt levels could still rise, and thus the ratio of net financial debt / EBITDA ratio might temporarily deteriorate further. However, we expect (unless the generated margins will not be significantly reduced) that this ratio should not exceed 3.0-3.5.

The company constantly monitors the level of debt and the development of the key financial ratios. We assume, that in a case when the projected ratios would approach to limits specified in the covenants, GetBack S.A. will have significant flexibility in terms of a reduction (or a temporary suspension) of further purchases of debt portfolios and to use the cash generated from the collection of previously purchased portfolios to repay debt.

In the medium and long term, we expect that the GetBack Group will seek to reduce again the level of leverage and increase the share of equity in the structure of liabilities (perhaps also through the issuance of new shares). With the recently announced obtainment of the credit-like financing (with a value of 105 million PLN) and the planned launching in the near future of a program of public issue of long-term bonds worth up to 300 million PLN, we also expect an improvement of the term structure of liabilities (i.e. an increase of the long-term liabilities value and a simultaneous reduction of the value of the short-term debt).

### Table 4. GetBack Group – liquidity ratios

| Liquidity | 2013 | 2014 | 2015 | 2Q16 |
|---|---|---|---|---|
| Current liquidity | 13.58 | 2.21 | 1.77 | 1.58 |
| Quick liquidity (adjusted) | 0.91 | 0.29 | 0.41 | 0.23 |
| Cash liquidity | 0.86 | 0.17 | 0.16 | 0.16 |
| Free cash flow / Financial debt | -0.8 | -0.2 | -0.3 | -0.2 |

*Source: own calculations based on the consolidated financial statements of the GetBack Group*

A very high value of the current liquidity ratio in 2013 was a consequence of the very low short-term liabilities value. Since 2014, this ratio ranged between approx. 1.6-2.6 (the lowest level was recorded in the second quarter of 2016, after the purchase by GetBack S.A. of large receivables portfolios with a deferred payment).

Theoretically, such levels of the current liquidity could be considered satisfactory, and periodically even as quite high. However, one should take into account the fact, that the GetBack Group presents all the debt portfolios acquired on their own account in current assets. Due to the fact, that the cycle of debt recovery usually takes even several years (the adjusted stock turnover ratio indicates, that this is an average of approx. 1.5-2 years), some of the amount from this item, from the economic point of view, should be included in the fixed (long-term) assets. The actual value of the current liquidity ratio is therefore lower, than the results from calculations based on the balance sheet.

The matter of the balance sheet classification of investments in debt portfolios also affects the value of the quick liquidity ratio. While calculating this ratio, we treat the short-term investments in debt portfolios presented by the company as an equivalent of inventory (stock). With this approach, the quick ratio was in the last quarters in the range of approx. 0.2-0.6. Theoretically, that levels would be far too low, but in economic terms (when qualifying a large portion of the portfolios of receivables to long-term assets), the adjusted value of this ratio forms already at satisfactory levels.

The immediate (cash) liquidity can also be determined as generally satisfactory, but in individual quarters it has periodically been a little too low.

To risk factors we include a relatively high volatility and a generally negative value of the generated by the GetBack Group free cash flows, what results in almost constantly negative values of the relationship of the free flows to the financial debt. This is largely due to the fact, that the company in recent years has rapidly increased the scale of its operations and incurred significantly higher expenditures for the purchase of new debt portfolios than the value of the cash generated from previously purchased debt portfolios. It was resulting with the need to increase the financing with an external capital.

### Table 5. GetBack Group – effectiveness ratios

| Effectiveness | 2013 | 2014 | 2015 | 2Q16 |
|---|---|---|---|---|
| Assets turnover | 0.4 | 0.5 | 0.5 | 0.4 |
| Stock turnover cycle – adjusted (days) | 813 | 514 | 507 | 665 |
| Trade receivables cycle (days) | 4 | 9 | 66 | 40 |
| Trade payables cycle (days) | 69 | 135 | 203 | 285 |
| Cash turnover cycle (days) | 748 | 388 | 370 | 420 |
| Return on assets | 12.7% | 21.3% | 25.5% | 18.9% |
| Return on equity | 61.3% | 101.5% | 95.7% | 73.8% |

*Source: own calculations based on the consolidated financial statements of the GetBack Group*

The assets turnover of the GetBack Group is formed generally at low levels of approx. 0.4-0.5. However, this is typical for debt collection companies, because activity of this type is characterized by a high value of the relation of the total assets to the sales revenue.

When analyzing the cycle of cash turnover we treat the investments in debt portfolios presented by the GetBack Group in the current assets as the equivalent of stocks. Besides the initial extremely high value of the stock turnover cycle ratio in 2013, resulting mainly from a very low sales revenue at that time, GetBack S.A. recovered the cash involved in this assets item on average over approx.1.5-2 years. It should be noted, that the stock turnover cycle lengthened considerably recently, because the company made large purchases of debt portfolios.

The very long cycle of stock turnover is balanced in part by the long cycle of trade payables turnover. GetBack S.A. shows in this position mainly commitments due to the debt portfolios purchased with a deferred payment.

With generally low levels of trade receivables and moderate values of the rotation cycle of this assets item, the overall cash conversion cycle fluctuated during the last quarters in the range of approx. 350-450 days. Such a long total cash turnover cycle confirms the high capital intensiveness of the company's business.

This results with the need to constantly maintain an adequate level of liquidity and to provide access to external sources of financing (including both equity and, mainly, debt capital).

When assessing the effectiveness of the invested assets and equity of GetBack S.A., in the context of the evaluation of the company's credit risk, we assess very positively the high margins on sales generated so far, which transalte in the final result to a very high values of the return on assets, as well as of the return on equity. Despite the recent slight decrease of the value of these ratios (due, among others, the increase in the scale of operations of the company), it is still one of the main factors positively influencing the credit rating assigned to the company.

## Qualitative analysis

### *Market / industry*

The receivables trading market in Poland is developing on a large scale only since the beginning of the first decade of the 21th century and it is still in the initial, dynamic stage of development. From the beginning, the industry has been closely associated with the banking and the telecommunication sectors, which are the main source of supply of debt portfolios on the market. In the early days of the industry the primary tool used by debt collection companies was a "hard" vindication (judicial and bailiff), which due to a low quality of the receivables appearing on the market, the specificity of debtors, banks' credit policies and incomplete legislation on debt collection, was the most effective method of the recovery of debts. With the legislative changes, as well as with the changes in the banking sector and the debt collection industry, the quality of portfolios of receivables improved. This resulted in a gaining of the importance of an amicable debt collection as an effective tool for recovery of debts.

In the past few years, the receivables trading market has been normalized. Currently, it is supervised by the Financial Supervision Authority (KNF), the Inspector General for Personal Data Protection and the Office for Competition and Consumer Protection. In addition, bank debt trading is done through securitization funds, which can only be led (serviced) by entities authorized by the KNF.

During the economic crisis, the economic slowdown, the rising of the unemployment and the weakening of the Polish zloty, were translating into an increased supply of bank debt portfolios. At the same time, it was a period in which the competition in the debt collection industry increased significantly. In the past five years the Polish receivables trading market has continued to grow dynamically. The value of the debt serviced increased in this period by more than 50 billion PLN, reaching the level of 85 billion PLN in June 2016. The number of claims also grew, which at the end of the second quarter of 2016 reached 14.9 million of units.

Economic and regulatory factors influencing the industry were recently: decreasing unemployment, KNF guidelines for the financial sector (increasing capital requirements for banks), the introduction of new government social programs (e.g. "Family 500+") and legislative changes (bank tax, withdrawal of the banking enforcement title, facilitating consumer bankruptcy).

Increased capital requirements for banks and the imposition in February 2016 of tax on bank assets have forced banks to be more disciplined with capital and liquidity. As a result, there was observed an increased supply of debts on the market, with a simultaneous overall increase in the quality of portfolios, which often contain claims just after the termination of the loan agreement and with little overdue.

Although funds from the program "Family 500+" cannot be subject to bailiff proceedings, through voluntary contributions of debtors in the amicable debt collection process they positively influence the value of recovered debts.

Due to the withdrawal of the banking enforcement title, debt collection companies have to obtain a judical warrant, to avoid the limitation of claims, which can potentially increase the costs of debt recovery.

The amendment of the consumer bankruptcy act has both positive and negative impact on debt collection companies. On the one hand, the debtors obtaining a court announcement of the bankruptcy can significantly reduce the amount of repayment of their obligations. On the other hand, to accomplish this, they must disclose the full value of their property, and the fact of the bankruptcy does not release the debtor from all liabilities, but only on their part. This effectively reduces the scale of this phenomenon.

In the near future there are no planned major legislative changes related to the functioning of the debt collection industry. However, one should also take into account the possible further changes in risk weightings in banks for foreign currency mortgage loans, which may also affect the supply of debt.

The Polish receivables trading market, despite high growth rates in recent years, is still relatively small (an approx. 2-3% of the European market). Additionally, it is still in the phase of dynamic development, what causes that more important are factors related to the supply of credit and access to capital, than the course of the economic cycle. Any downturn (if in the medium term it will not result in a significant increase in the level of unemployment) will very likely have a limited impact on the situation in the industry and the financial health of the largest debt collection companies.

## *Planned actions / strategy*

GetBack Group is currently implementing a long-term strategy of a gradual increase of the value of the receivables portfolio (previously the portfolio increased from approx. 1 billion PLN in 2013 to more than 17 billion PLN on June 30th 2016). In subsequent years this growth is expected to be still faster than the growth of the market in which the company operates.

So far, the strategy of a rapid growth was realized mainly through a purchase of debt portfolios for securitization funds owned by GetBack S.A. Also in the future the company wants to focus mainly on this area of activity. The management of the receivables portfolios owned by external investors is expected to play a smaller role in the company's operations.

For more efficient operation and recovery of a growing number of debt portfolios, GetBack S.A. opens new branches in major Polish cities such as Warsaw, Wroclaw, Lublin, Poznan and Katowice. Furthermore, as a part of a work on changing the perception of debt collection companies, GetBack S.A. develops and diversifies new channels of communication with debtors (call center, live chat, e-vindication, direct contact with company employees). Recently, the company also opened an office in London, which is to build an international position of the GetBack Group. This office is to acquire new institutional investors for the company and has to provide an alternative (cheaper) sources of financing for GetBack S.A.

Due to an increasing competition in Poland, the GetBack Group decided in 2014 to start foreign expansion – so far only on the Romanian market, but other directions are also being considered.

The financial strategy of the GetBack Group assumes obtaining the funding for the development of the scale of activity from the public issues of bonds under the program worth up to 300 million PLN. These bonds will replace the previous frequent and relatively small private issues. Moreover, the company does not exclude borrowing of long-term loans backed by the purchased debt portfolios. In December 2016, the Group already obtained a credit-like funding amounting to 105 million PLN.

In the financial projections for the years 2017-2020, the company plans to increase the share of equity financing, which should be a result of, among others, not paying dividends in the coming years and reinvesting the whole generated profits.

The product offer of the GetBack Group will be soon extended with a new solution. The company intends to create CDS instruments, basing on ensuring the recoverability of certain debt portfolios. The agreements will be concluded with banks and the remuneration for GetBack S.A. will be a risk premium. Contract will be renegotiated if there will occur deviations from the assumed level of recoveries. It should be noted, that although this product can be characterized by a high financial efficiency, it can also involve a risk of incurring losses by the company.

In the context of the increasing competition in the domestic market and entering the Polish market by foreign debt collection companies, GetBack S.A. intends to establish and develop cooperation with these entities – mainly in the area of joint purchasing large debt portfolios and the management of receivables portfolios. In December 2016 the company announced, that it had already reached an agreement with a foreign investor – the intention of the parties is to take a framework cooperation for the next year in order to jointly make significant investments in debt portfolios on the Polish market.

## *Key risk factors*

**The relatively high dependence on key suppliers**

Approximately 87% of the value of all claims in the portfolios of the non-standardised securitisation closed-end investment funds managed by GetBack S.A. come from the banking sector. An additional 7% of the portfolio is debt from telecommunication companies. The remainder are mainly receivables from loan companies and other sources.

In acquiring debt portfolios GetBack S.A., like other companies in the industry, is heavily dependent on the supply of receivables portfolios provided by banks. No single bank is, however, critical for the company. Although the company belonged in mid-2016 to the Idea Bank Group, portfolios derived from the companies from the Getin Holding Group currently account for only about 1/4 of the total value of portfolios acquired by GetBack S.A. from banks. The company has signed "forward flow" agreements (temporary exclusive contract for the purchase of new debt portfolios) with two banks, but with the other institutions the standard contractual provisions apply and the GetBack Group must compete in tenders for the purchase of debt portfolios.

As GetBack S.A. specializes in the recovery of retail customers' debt portfolios, which in each case consist of thousands to even tens of thousands individual debts, the company's financial results are not dependent on the condition of individual large debtors.

**Macroeconomic risks**

Macroeconomic factors can have a significant impact on the condition of companies in the debt collection industry – in particular on the effectiveness of retail debt portfolios recoveries. The potential significant increase in the level of unemployment, negative real wage growth, higher inflation rate and an icrease in interest rates could potentially undermine the ability of debtors to repay outstanding commitments, which may adversely affect the profit margins realized by debt collectors.

The impact of a possible economic downturn on debt collection industry is not clear, due to the fact, that the possible accompanying deterioration of bank loans quality may result in an increased supply of debt portfolios by banks, which may in turn contribute to a decline in their market prices.

The GetBack Group has a very limited exposure to the risk of changes in foreign exchange rates (this applies mainly to EUR/PLN and RON/PLN), despite its operations beyond the Polish borders. This is due to the fact, that the subsidiary operating in Romania is not financed by the parent company (all of purchases and settlements are made in Romanian currency and with own funds). Changes in exchange rates may, however, to some extent, affect the fair value of debt portfolios.

The sensitivity of the company to interest rate changes should be considered in two aspects. In the operating area, the potential increase in interest rates could translate into an increase in penalty interest on overdue debts, which should result in increased recoveries and an increase in margins from debt portfolios. In the area of financing, the potential increase in interest rates would have a definitely negative impact, because, due to the relatively high financial leverage which the GetBack Group uses, financial costs would rise significantly, which would negatively affect the existing company's ability to generate strong positive financial results.

**Risk of incorrect valuation of debt portfolios**

Incorrect assessment of the quality and economics of purchased receivables has a direct impact on the level of income and profitability of the group. The company counteracts this threat by creating and using advanced valuation models. Additionally, in the case of receivables for securitization funds, the valuation is verified by the custodian bank and an independent valuer (according to the amendment of the rules on the valuation of investment funds).

However, it cannot be ruled out, that an increased competition in debt collection industry can result in temporarily excessive increases of prices of debt portfolios, which in the case of acquisition by GetBack S.A. portfolios at inflated prices, may ultimately translate into a significant reduction of the generated margins. And in the case of additional adverse changes in the macroeconomic environment in the period after the purchase of these portfolios, it may result even in losses on these portfolios.

### Risk of legal changes

The situation on the debt market may be significantly affected by regulatory and fiscal changes – including both the debt collection industry and the banking sector. The recent significant changes for banks were: the liquidation of the bank enforcement title, the imposition a tax on bank assets, a rise in capital requirements for banks, the necessity of a return of the excess spreads charged by banks for foreign currency mortgage loans.

Among major changes in the regulatory environment for debt industry were, among others: the implementation of e-courts (electronic writ), changes in the law on consumer bankruptcy, as well as in the law on bailiffs.

The GetBack Group is also exposed to changes in legislation in Romania, where the debt collecting companies were recently banned from using their own law firms and were under obligation to use the services of local lawyers.

One should also consider the risk of the introduction of potential restrictions or impediments in receivables trade. In the past, there have already been unsuccessful attempts to introduce such restrictions, and although currently there are no plans for such a changes, they cannot be ruled out in the future.

These and any future legal changes may have an impact e.g. on the volume of supply of debt portfolios and their quality, as well as the efficiency and effectiveness of the management process of recovering debts, which in turn can affect the level of margins obtained.

One should also remember that the economic activity of GetBack S.A. is conducted on the basis of the authorization granted by the Polish Financial Supervision Authority (KNF). For violations of formal and legal requirements, the authority may impose fines on the company, and in an extreme case, it may withdraw permission to manage securitized receivables in investment funds.

### Dependence on external financing in the capital market

The most important source of funding with an external capital are for GetBack S.A. corporate bonds. The company has issued such securities since the beginning of ist operations and in recent quarters – with an increase in the scale of operations of the company – the value of issued bonds was getting higher. As of the end of September 2016, GetBack S.A. have issued (in dozens of series) bonds with a total value of 530 million PLN, of which 213.8 million PLN were maturing within 12 months. The bonds accounted for almost all interest-bearing debt and more than half of the total liabilities of the GetBack Group.

The Company plans for 2017 further issues of bonds – this time under the public bond issue program worth up to 300 million PLN. The company plans to spend the received amounts on financing the purchase of new debt portfolios, as well as on other purposes related to the execution of the business model, including the repayment of maturing bonds issued in previous years.

Although GetBack S.A. plans to diversify the sources of financing and the use of increasingly wider range of bank loans, the company is and will remain largely dependent on the ability to raise further funds from the capital market. This involves the risk of lack of success of the next bond issues, e.g. in case of a possible significant increase in investors risk aversion (including both market risk, as well as the risk related directly to the debt industry or to the company itself).

## Rating sensitivity

### *Positive factors*

A positive impact on the credit rating assigned to the company could have in the medium term: an increase of the share of equity in liabilities; a significant extension and more even arrangement in time of the maturity of financial liabilities; a generation by the company of more stable and positive free cash flows; as well as a favorable development of the macroeconomic situation.

### *Negative factors*

The current level of the credit rating for GetBack S.A. could be negatively affected by: a possible significant deterioration of the achieved financial results; a persistence in the medium term of the current relatively high level of debt (or especially a further increase in the share of the foreign capital in total liabilities and/or an increase of the net financial debt to EBITDA ratio significantly above the level of 3.0); a decrease of the value of the generated free cash flows; as well as a posiible significant deterioration of the liquidity position of the company.

## GetBack S.A. – credit rating history

| Long-term issuer rating (international scale) | | |
|---|---|---|
| **Rating level** | **Outlook** | **Date of assignment / verification** |
| **BB** | **stable** | **20 January 2017** |

## GetBack S.A. – abbreviated consolidated financial statements

### Table 6. GetBack S.A. – consolidated profit and loss account

| (mln PLN) | 2013 | 2014 | 2015 | 2Q16 |
|---|---|---|---|---|
| **Net sale revenues** | **30.0** | **107.5** | **206.7** | **160.0** |
| Share in profits of associated companies | 0.0 | 0.0 | 11.7 | -0.8 |
| Other operating revenues | 0.3 | 0.1 | 1.3 | 0.1 |
| Remunerations and social insurance | 7.3 | 18.8 | 49.0 | 27.5 |
| Depreciation | 0.8 | 1.4 | 3.0 | 2.7 |
| External services | 3.3 | 10.2 | 27.0 | 29.4 |
| Other operating costs | 1.4 | 12.9 | 18.1 | 10.5 |
| **EBITDA** | **18.3** | **65.7** | **125.5** | |
| **Operating profit (loss)** | **17.5** | **64.3** | **122.6** | **89.4** |
| Result on sale of financial instruments | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial revenues | 0.3 | 0.3 | 0.1 | 0.3 |
| Financial costs | 4.7 | 10.3 | 12.7 | 15.5 |
| **Gross profit** | **13.2** | **54.2** | **110.0** | **74.2** |
| Income tax | 3.1 | 10.0 | -10.4 | -0.2 |
| **Net profit (loss)** | **10.1** | **44.3** | **120.3** | **74.4** |

*Source: GetBack S.A.*

### Table 7. GetBack S.A. – consolidated balance sheet (assets)

| (mln PLN) | 2013 | 2014 | 2015 | 2Q16 |
|---|---|---|---|---|
| **FIXED ASSETS** | **3.2** | **71.9** | **100.5** | **160.1** |
| Tangible fixed assets | 2.2 | 3.5 | 9.7 | 9.9 |
| Intangible fixed assets | 1.0 | 2.1 | 9.9 | 11.4 |
| Goodwill | - | - | - | 8.9 |
| Investment properties | - | - | 1.3 | 1.3 |
| Long-term investments | - | 66.2 | 77.7 | 126.1 |
| Other long-term receivables | - | - | 1.1 | 1.3 |
| Deferred tax assets | - | - | 0.7 | 1.0 |
| Deferred charges | - | 0.1 | 0.2 | 0.1 |
| **CURRENT ASSETS** | **123.2** | **217.6** | **554.9** | **999.7** |
| Investments in debt portfolios | 114.6 | 188.2 | 422.3 | 838.7 |
| Trade receivables | 0.2 | 5.0 | 74.6 | 38.7 |
| Receivables from the state | 0.1 | 0.1 | - | - |
| Other short-term receivables | 0.2 | 6.9 | 3.9 | 7.1 |
| Short term prepayments and accruals | 0.4 | 0.6 | 2.9 | 13.0 |
| Cash and cash equivalents | 7.8 | 16.9 | 51.3 | 102.2 |
| **TOTAL ASSETS** | **126.4** | **289.5** | **655.4** | **1 159.8** |

*Source: GetBack S.A.*

### Table 8. GetBack S.A. – consolidated balance sheet (liabilities)

| (mln PLN) | 2013 | 2014 | 2015 | 2Q16 |
|---|---|---|---|---|
| **EQUITY CAPITAL** | **21.5** | **65.7** | **185.8** | **260.0** |
| **Equity attributable to the parent company shareholders** | **21.5** | **65.7** | **185.7** | **259.9** |
| Share capital | 4.0 | 4.0 | 4.0 | 4.0 |
| Net profit (loss) | 10.1 | 44.1 | 120.1 | 74.2 |
| Other reserve capital | 7.4 | 17.6 | 61.6 | 181.7 |
| **Noncontrolling interest** | - | - | - | **0.1** |
| **LIABILITIES AND RESERVES** | **104.8** | **223.8** | **469.6** | **899.8** |
| **Long-term liabilities** | **95.8** | **125.4** | **156.1** | **266.9** |
| Reserve for deferred income tax | 2.9 | 12.6 | - | - |
| Financial liabilities due to issuance of debt securities | 91.9 | 111.7 | 121.6 | 206.6 |
| Financial leasing liabilities | 1.0 | 1.1 | 1.9 | 1.7 |
| Other long-term liabilities | - | - | 32.5 | 58.6 |
| **Short-term liabilities** | **9.1** | **98.4** | **313.6** | **632.9** |
| Financial liabilities due to issuance of debt securities | 0.5 | 16.0 | 132.0 | 204.6 |
| Trade payables and other | 7.1 | 72.2 | 172.6 | 423.1 |
| Financial leasing liabilities | 0.6 | 0.7 | 0.8 | 1.2 |
| Financial liabilities due to bank loans | - | 5.1 | - | 1.5 |
| Income tax liabilities | - | 0.1 | 0.7 | 0.1 |
| Employee benefit liabilities | 0.8 | 4.4 | 7.5 | 2.3 |
| Short-term reserves | - | - | - | - |
| **TOTAL EQUITY AND LIABILITIES** | **126.4** | **289.5** | **655.4** | **1 159.8** |

*Source: GetBack S.A.*

### Table 9. GetBack S.A. – skonsolidowany rachunek przepływów pieniężnych

| (mln PLN) | 2013 | 2014 | 2015 | 2Q16 |
|---|---|---|---|---|
| OPERATING ACTIVITIES | -74.1 | 299.8 | -41.8 | -27.5 |
| INVESMENT ACTIVITIES | -0.5 | -322.3 | -36.0 | -71.0 |
| FREE CASH FLOWS | -74.6 | -22.5 | -77.7 | -98.4 |
| FINANCING ACTIVITIES | 73.4 | 31.6 | 112.2 | 149.3 |
| CHANGE IN CASH BALANCE | -1.2 | 9.1 | 34.4 | 50.9 |

*Source: GetBack S.A.*

## Table 10. Formulas of the financial ratios analyzed in the report

| **Revenues and margins** | **Formula** |
|---|---|
| Total sales revenue | Net sales revenue + Share in profits of associat. companies + Other operat.reven. |
| EBITDA margin | (Operating profit + Depreciation) / Total sales revenue |
| Operating margin | Operating profit / Total sales revenue |
| Net margin | Net result / Total sales revenue |
| **Financing** | **Formula** |
| Total liabilities to assets | Liabilities and reserves / Total assets |
| Equity to assets | Equity / Total assets |
| Equity to assets excl. Intangible assets | (Equity – Intangible fixed assets) / (Total assets – Intangible fixed assets) |
| Coverage of noncurrent assets | (Equity + Long-term liabilities) / Fixed assets |
| Stability of financing | (Equity + Long-term liabilities) / Total assets |
| Total liabilities / Total sales revenue | Liabilities and reserves / Total sales revenue for the last four quarters |
| Total liabilities / EBITDA | Liabilities and reserves / (Operating profit + Depreciation) |
| Total liabilities net / EBITDA | (Liabilities and reserves - Cash) / (Operating profit + Depreciation) |
| Net financial debt / EBITDA | (Financial debt – Cash) / (Operating profit + Depreciation) |
| Total financial debt / Equity | Financial debt / Equity |
| Net financial debt / Equity | (Financial debt – Cash) / Equity |
| **Liquidity** | **Formula** |
| Current liquidity | Current assets / Short term liabilities (incl. accruals and deferred payments) |
| Quick liquidity (adjusted) | (Current assets – Investments in debt portfolios – Accruals) / Short-term liabilit. |
| Cash liquidity | Cash and cash equivalents / Short-term liabilities |
| Free cash flow / Financial debt | (Operating cash flow – Investment cash flow) / Financial debt |
| **Effectiveness** | **Formula** |
| Assets turnover | Total sales revenue for the last four quarters / Average total assets |
| Stock turnover cycle - adjusted (days) | (Investments in debt portfolios / Total sales revenue for four quarters) x 365 |
| Trade receivables cycle (days) | (Average trade receivables / Total sales revenue for the last four quarters) x 365 |
| Trade payables cycle (days) | (Average trade payables / Total sales revenue for the last four quarters) x 365 |
| Cash turnover cycle (days) | Stock turnover cycle + Trade receivables cycle – Trade payables cycle |
| Return on assets | Net result for the last four quarters / Average total assets |
| Return on equity | Net result for the last four quarters / Average equity |

## Rating scale applied by the EuroRating credit rating agency

| Rating | Risk description |
|---|---|
| AAA | Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments. |
| AA+<br>AA<br>AA- | Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions. |
| A+<br>A<br>A- | Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions. |
| BBB+<br>BBB<br>BBB- | Moderate credit risk. Good financial credibility and adequate capacity to meet financial commitments in the long term. Increased susceptibility to long-term adverse economic conditions. |
| BB+<br>BB<br>BB- | Increased credit risk. Relatively lower financial credibility. Adequate capacity to meet financial commitments under average or favourable economic conditions. High or medium level of debt recovery in the event of default. |
| B+<br>B<br>B- | High credit risk. Capability of meeting financial commitments largely conditioned on favourable external conditions. Medium or low level of debt recovery in case of a default. |
| CCC<br>CC<br>C | Very high credit risk. Very low capability to meet financial commitments even under favourable economic conditions. Low or very low level of debt recovery in case of a default. |
| D | Extremely high credit risk. Complete lack of capability to meet financial commitments. Without additional external suport the level of debt recovery is very low or close to zero. |

Upon analysing the credit risk of rated entities, the agency takes accounts of the macroeconomic environment risk, as well as takes into account the sensitivity of the rated entity to currency exchange rate fluctuations. Credit ratings assigned by EuroRating cover factors relating to the general risk of the country (or countries) and the currency risk – therefore, thy are fully comparable with the credit ratings in the international scale assigned by other credit rating agencies.

Full details on the rating scale applied by the EuroRating credit rating agency are published on the agency's website at: http://www.eurorating.com/en/ratings/rating-scale

## Regulatory disclosures

The credit rating assigned to the company GetBack S.A. is a public rating. The date of the first publication of the rating for the rated entity, the current rating level and the full rating history are published free of charge on the EuroRating credit rating agency website in the section "Credit ratings", in the appropriate tab on the rated entity. EuroRating is not responsible for information on the current rating of the rated entity provided by the rated entity or any third party.

The presented credit rating constitutes a rating for the issuer – it is a general assessment of the creditworthiness of the rated entity and it concerns the credit risk of its unsecured and unsubordinated financial liabilities.

The credit rating assigned to the company GetBack S.A. is a rating solicited by the rated entity. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The rated entity has participated in the rating process by providing the agency documents, information and explanations concerning its economic and financial situation. In compliance with the "Conflicts of interest policy" binding in the EuroRating credit rating agency, the agency has not provided and does not provide any paid additional services to the rated entity or its related third parties.

The information on the assigned credit rating was presented to the rated entity in advance. The rating was assigned without changes resulting from that disclosure.

EuroRating considers the scope and quality of available information on the rated entity as sufficient to issue a reliable credit rating. EuroRating takes all necessary measures to ensure that obtained information used in the rating process is of proper quality and is derived from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to verify or to confirm in each case the correctness and authenticity of obtained information used in the rating process and/or presented in this report.

A description of the rating methodology used by EuroRating is presented on the agency's website (www.EuroRating.com) in section "Credit ratings" – "Methodology". The rating definitions and the rating scale used by EuroRating are published on the agency's website in section "Credit ratings" – "Rating scale".

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