

## Eurolease Auto AD

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CORPORATE CREDIT RATING	Initial Rating 12.2008	Non-solicited Update 16.12.2009
Long-term Rating :	BBB+	BBB+ (ns)
Outlook :	<i>Developing</i>	<i>Stable</i>
Short-term Rating :	A-2	A-2

**Bulgarian Credit Rating Agency** is the only Bulgarian agency, included in the list of the Financial Supervision Committee, as its ratings are acknowledged equally with those of the international agencies **Moody's, Standard & Poor's and Fitch**. In 2004 BCRA adapted the methodology for credit rating of a leasing company from ICRA (An associate of Moody's Investors Service). The rating scale of BCRA coincides with the scale of **Standard & Poor's**.

**Bulgarian Credit Rating Agency (BCRA) maintains the long-term credit rating BBB+ and short-term A-2 to „Eurolease Auto” AD.** BCRA uses the officially adopted methodology for assignment of leasing company's credit rating ([http://www.bcra-bg.com/files/file\\_197.pdf](http://www.bcra-bg.com/files/file_197.pdf)).

To elaborate the credit report and to assign the credit rating BCRA uses information from the rated company, National Statistical Institute, database of BCRA, consultants and other sources of public information.

The company operates in sector 65.21 on NCEA – „Financial leasing” and it is specialized in the leasing services for cars and light commercial vehicles. The main part (over 99%) from its product portfolio is crediting of a purchase of transport vehicles is. The offered product of „Eurolease auto” AD combines delivery, crediting and insurance package.

During the update period „Eurolease Auto” AD operates in unfavorable economic conditions. The main effects of the world economic and financial crisis, observed in Bulgaria since the beginning of 2009 so far are as follows: a decline of GDP, falling tide of investments, a decline of real incomes of the population, aggravation of the conditions from the side of the financial institutions for lending credits, uncertainty before the business.

The effects of the crisis in the leasing sector are expressed in: the decreased demand for funds and increase of the non-served receivables. A significant role for the deterioration of the operating environment plays the drastic decline in the sale of

new automobiles – 48.9% compared to the same period of 2008. On a yearly basis, the lease market registered a growth of 16.47% - significantly lower than the registered ups by the end of the previous year by more than 50%. The biggest decrease as volume is registered with the financial leasing of heavy and light commercial vehicles and cars.

**On the basis of the state's analysis and the structure of the sector, BCRA retains the overall sector risk as moderate.**

„Eurolease Auto” AD maintain its positions among the well presented companies at the market. The main competitors of the company are companies, specialized in new cars` leasing: „Interlease” AD; „Raiffeisen Leasing” OOD; „Unicredit Leasing” EAD; „Hipo Alpe Adria”; „EFG Leasing” EAD; „TBI Leasing” AD; „Unionleasing” EAD. A strong advantage of the company is the possibility to achieve lower delivering prices of the cars under leasing, as well as due to the established stable relations with the large cars` dealers, as well as due to the connection of a part of them with the holding group of “Eurohold”, to which „Eurolease Auto” AD also belongs to. The synergic effect provides the company a competitive advantage in the price formation of the final product, as well as a possibility for wider market coverage. In the update period „Eurolease Auto” AD retains its well-developed network. The marketing strategy is directed to the mass client, the company offers a wide range of schemes for funds which are promoted and advertised.

**BCRA maintains the risk from products and competitive position as moderate.**

The clients` basis of the rated company continues being well-diversified. The relatively low concentration of the receivables from clients is a positive factor. **BCRA retains the risk from clients as low.**

The suppliers` concentration during the update period continues being moderate. The concentration of debts to suppliers does not

change significantly either. **BCRA assesses the risk from suppliers as relatively low.**

Due to the specific character of its activity, the company maintain small equipment and facilities adequate to its needs without blocking large volumes of cash resources.

**BCRA assesses the risk related to the management of the company as relatively low.**

A factor for the stable development of the company is the quality policy in the field of human resources management, as well as the introduced systems and practices for management of the whole activity. The management team has a clear idea for the possible market risks and has undertaken active actions for restricting the unfavorable sequences by them in case they occur. In the update period the shareholding structure of the company is changed. On 27.03.2009 in accordance with the legal procedure Thames Capital Partners Limited, London transferred the share of 33,33% they possess in Eurolease Auto to Eurohold Bulgaria AD. The sole owner of the equity becomes Eurohold Bulgaria AD. No significant changes occurred in the management. In September 2009, after a decision of the General meeting of shareholders of „Euromobil Leasing” AD, where the rated company possesses 51% of the shares, the equity increases from BGN 100 000 to 250 000; 150 000 new shares are issued with a nominal value of BGN 1. „Eurolease auto” AD maintains the percent proportion of its share.

In the mid. of November 2009 „Eurolease Auto” AD became a sole owner of „Eurolease Auto Finance” EOOD, with main activity: purchase, leasing and resale of cars, and increased the equity of the acquired company of BGN 5 000 to BGN 250 000, allocated in 25 000 shares with a value of BGN 10 each.

At the end of November 2009 „Eurohold Bulgaria” AD issued 15 500 000 shares in the equity of a new company „BG Autolease holding B.V.”, registered in the Trade register of the Kingdom of Holland. The new established holding becomes a sole owner of the equity of „Eurolease Auto” EAD and contributes all 100% of the shares of the leasing company in the equity of „BG Autolease Group B.V.”, also registered in the Kingdom of Holland. As of 30.11.2009 a sole owner of the equity of „Eurolease Auto” EAD is „BG Autolease Group B.V.”.

„Eurolease Auto” AD continues characterizing with a stable financial state. As of the end of the first half-year of 2009 the value of the assets grew up by 15.8% on a yearly basis, whereas the equity – by 36.9%. The sum of the net investments in financial leasing decreased minimum (2%). The leverage of the company remained without any significant change. The values of the profitability’s indicators increased strongly; the profit increased by 171.1% compared to the same period of 2008.

**BCRA retains the overall risk from the financial state of the company as relatively low.**

The analysis of the whole profile of the rated company, the achieved market positions, the gained experience of the management and made forecasts for development of the company in a middle-term aspect give us the grounds to conclude that most probably the rated company will be characterized with a good creditability.

<b>Main Financial Indicators:</b>	<b>6.2009</b>	<b>6.2008</b>	<b>12.2008</b>	<b>12.2007</b>	<b>12.2006</b>
Interest Income	7 985	5 832	14 034	6 482	1 517
Interest Expense	-4 670	4 439	-10 403	-4 674	-1 217
Net Interest Income	3 315	1 393	3 631	1 808	300
Net Commission Income	874	1 200	1 970	1 477	474
Accounting Profit	2 895	1 068	743	1 769	480
Net Profit	2 895	1 068	674	1 605	408
Assets	175 529	151 528	184 963	108 097	34 304
Equity	16 797	12 273	13 902	9 759	2 468
Net investment in financial leasing	119 391	121 868	134 250	88 472	26 996
Gross investment in financial leasing	140 005	147 689	159 758	106 737	32 313
Cash resources	3 531	3 007	1 739	838	1 471
Financial debts	138 927	137 051	153 046	95 741	30 862