

„Eurolease Auto” EAD

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CORPORATE CREDIT RATING	Initial Rating 12.2008	Non-solicited 12.2009	Update 23.09.2010	Update 23.12.2011	Update 06.03.2013
Long-term Rating :	BBB+	BBB+ (ns)	BBB+	BBB	BBB
Outlook :	<i>developing</i>	<i>stable</i>	<i>stable</i>	<i>stable</i>	<i>stable</i>
Short-term Rating :	A-2	A-2	A-2	A-3	A-3

BCRA – CREDIT RATING AGENCY (BCRA) is the third qualified rating agency in EU, registered under Regulation 1060/2009 of the European Parliament and of the European Council. The credit ratings, assigned by BCRA, are recognized in the whole EU and are entirely equal with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other restrictions. The rating scale of BCRA coincides with the scale of Standard & Poor's.

BCRA retains the long-term credit rating of „Eurolease Auto” EAD BBB (outlook: stable) and short-term rating A-3. BCRA uses the officially adopted methodology for assignment of credit rating of a leasing company (http://www.bcra-bg.com/files/file_197.pdf).

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

During the analyzed period 2011 to 09.2012 the Bulgaria's economy continued operating in conditions of an economic crisis. Its features are mainly: continued decline in GDP, rising unemployment, shrunk household consumption, subdued economic activity, high intercompany indebtedness. The DFI registered a growth, which occurred in comparison with comparatively low base. In 2011, as well as in 09.2012 the receivables under financial and operating leasing contracts continued decreasing¹. The value of concluded new contracts for financial leasing (new business) retains its negative dynamics. In the middle of 2012 the downward trend interrupted in leasing penetration ratio which is due to the contraction of investment expenditure. The share of non-performing receivables continues increasing.

During the update period no changes occurred in the ownership of "Eurolease Auto". In July 2012 the company acquired 49% of the capital of and became the sole owner of the company. In October the same year a merging procedure of "Euromobile Leasing" AD and "Eurolease Auto Finance" EOOD into "Eurolease Auto"

was launched. Another change in the participations is the new daughter company which was found out in September 2012 - "Eurolease Auto Consult" EOOD ("Eurolease Auto" has 100% ownership).

The leasing portfolio of the company decreased in 2011 by 19.3% per annum as a result of the anticipating rate which amortize the existing portfolio, compared to the growth rate of new business. The reduction refers to both main categories of assets – cars and trucks and vans. During the period under review the leasing portfolio remains well diversified with regard to the sectoral affiliation of the customers without significant changes in the structure. The company's portfolio is diversified. With view of the size of receivables the max. exposure to a particular client does not exceed 5%. Any significant changes did not occur with the facilities and equipment of the company. The balance value of fixed tangible assets maintained a downward trend.

The client's base of "Eurolease Auto" remains well diversified: in 2011 ~ 79% of the turnovers from clients was formed by companies with a share below 2%. For the first nine months of 2012 their share was ~ 85%. Although during the update period a slight increase of concentration in receivables from customers is observed. It remains low and 82% of the receivables were formed from amounts below 2% as of 09.2012.

The concentration in turnovers with suppliers also remained low – as of 09.2012 the largest turnover does not exceed 20% of the total. The total turnover with suppliers decreased during the update period for 2011 the decrease is 9.5% and for the first nine months of 2012 - 36.6% per annum. The debts to suppliers increased by 122.1% in 2011 per annum, and with 82.0% for the first nine months of 2012 compared to the end of 2011.

During the analyzed period "Eurolease auto" comply with yet set management principles. The customer service policy of the company continues to focus on the personal approach to each customer with view of their diverse needs and tastes plus development of flexible leasing schemes. Since June 2012 on the company's website there is a client portal "My leasing" which enables to

¹ By data of BNB.

customers to make personal inquiries, send forms, to manage their basic data and to have all the issued documents.

In 2011 the net interest income generated by "Eurolease auto" maintained a negative trend and registered a decline by 36.4%, determined mainly by the decrease of interest income (13.3%), while the interest costs remain approximately at the level of the past year. Net incomes from commission also reported a negative change (16.8%). The generated net financial result for the year (635 thousand leva) is considerably lower compared to the reported in 2010 (1 214 thousand). Net investment in finance leasing is shrinking with a higher rate compared to the past year (19.5% compared to 10.3% in 2010) unlike the sector: leasing market² in the country decreased by 12.0% in 2011 compared to the decline of 19.3% decrease in 2010.

During the first nine months of 2012 the interest income registered an increase compared to the same period of the past year (25.1%), along with lower reported interest expenses (33.7%). This dynamics determines the favorable change in net interest income per annum during the period (3.0%). Net income from commissions increased more noticeably (15.9%). During this period, the company reported net profit of EUR 171 thousand, compared to the loss of 460 thousand leva for the same period of the past year. The downward trend in net investment in finance leasing as the decrease in the first nine months of 2012 compared to the same period of the past year amounts to 25.9%.

The interest spread decreased for second consecutive year in 2011, while in the first nine months of 2012 a slight increase was observed per annum. The overdue receivables in the portfolio of the company continue to be at a significantly lower level compared to the average for the sector.

During the update period "Eurolease Auto" continues maintaining a relatively low leverage level by financing its activity mainly through bank loans (94% of borrowings as of 09.2012). In 2012 final payments were made on two bond issues, thus three out of five served issues are paid off. In November 2012 "Eurolease auto" issued new bonds in the amount of 6,000 thousand euro which is private investment. The company undertook restructuring of part of its bond debts twice in 2012. Both restructurings haven't losses for the creditors.

Main financial indicators

Financial indicators, thous. leva	9.2012	9.2011	2011	2010	2009
Interest incomes	5 989	7 993	10 542	12 159	15 306
Interest expenses	4 055	6 116	7 686	7 669	8 654
Interest Net Income	1 934	1 877	2 856	4 490	6 652
Net income from commissions	1 130	975	2 166	2 604	1 859
Accounting profit/loss	171	-460	814	1 349	3 756
Net Financial Result	171	-460	635	1 214	3 381
Assets	98 592	134 756	115 058	148 262	165 786
Equity	22 336	21 070	22 165	18 497	17 283
Net investment in financial leasing	61 837	83 431	76 221	94 725	105 560
Gross investment in financial leasing	69 366	95 198	86 782	108 515	122 531
Cash	825	898	1 791	2 975	1 857
Financial debts	64 719	90 898	81 619	112 690	125 089

² Receivables under lease contracts (balances), data of BNB