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Market reshuffle

Over the past few quarters, we observed Polish debt collectors market consolidation process becoming more and more intensive. We expect it to continue as M&A transactions, involving foreign players. In our opinion, there is a high probability of PRA Group and Hoist Finance becoming strong players with significant share in the Polish market. We also target Lindorff Group and Encore Capital Group to expand in the domestic market, however the probability is lower than in case of aforementioned PRA Group and Hoist Finance. We estimate that both: PRA Group as well as Hoist Finance, will have sufficient investment capability to acquire companies of Kredyt Inkaso, BEST or GetBack size. We estimate total PRA Group investment capability at 430-470 USDm p.a.; however we underline that one of the credit agreement conditions, limits company's annual acquisition expenses to 250 USDm. Estimated Hoist Finance investment potential oscillates between 360-410 EURm. Both companies enjoy relatively low financing costs – PRA Group at c.a. 2,6% p.a., Hoist Finance at ca. 2,1% p.a. respectively. Since Kredyt Inkaso has terminated the agreement of operational merger with BEST, there is a big question mark over their fusion. In our opinion, both: Kredyt Inkaso and BEST, separately as well as merged, are attractive acquisition targets for big market player such as PRA Group or Hoist Finance. Another interesting target is GetBack, Idea Bank subsidiary, which is offered for sale. As far as we analyzed the case of the biggest Polish debt collector KRUK, the most likely scenario is its further development on domestic and foreign markets. Acquisition of KRUK is possible only for a company with acquisition budget sufficient to take over a company with market capitalization of 2,6 PLNbn.

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		Implied EV (PLNm)			
		DTP	Kredyt Inkaso	BEST	GetBack
EV/Carrying value of debt portfolio (x)					
PRA Group / Aktiv Capital	1,90	308,9	1 016,4	970,1	608,8
Lindorff / Casus Finance	2,36	383,7	1 262,4	1 204,9	756,1
B2Holding / Ultimo	1,23	200,9	660,8	630,7	395,8
Hoist Finance/the lewis group Ltd.	1,02	165,2	543,4	518,6	325,5
Hoist Finance/Campello Holdings	0,88	143,3	471,5	450,0	282,4
Median	1,23	200,9	660,8	630,7	395,8
Carrying value of debt portfolio of DTP as of '3Q15 (PLNm)	162,7				
Carrying value of debt portfolio of Kredyt Inkaso as of '3Q15 + NSFIZ investments (PLNm)	535,3				
Carrying value of debt portfolio of BEST as of '3Q15 + NSFIZ investments (PLNm)	510,9				
Carrying value of debt portfolio of GetBack as of '3Q15 + NSFIZ investments (PLNm)	320,6				
		Implied EV (PLNm)			
		DTP	Kredyt Inkaso	BEST	GetBack
EV/EBITDA (x)					
PRA Group / Aktiv Capital	5,35	165,8	604,5	588,5	547,4
Lindorff / Casus Finance	6,97	216,2	788,0	767,1	713,6
Median	6,16	191,0	696,3	677,8	630,5
TTM EBITDA of DTP as of 3Q15 (PLNm)	31,0				
TTM cash EBITDA of Kredyt Inkaso cash 3Q15 (PLNm)	113,0				
TTM cash EBITDA of BEST as of 3Q15 (PLNm)	110,0				
TTM EBITDA of GetBack as of 1H15 (PLNm)	102,3				
Net Debt as of 3Q15 ** (PLNm)		33,2	304,1	369,7	158,0
MCAP as of 13/01/2015 (PLNm)		150,0	307,9	294,2	n/d
Share price (PLN)		4,2	23,8	14,1	n/d
Shares number (m)		35,7	12,9	20,9	20,0
TTM EBITDA (PLN)		31,0	72,3	90,0	102,3
TTM cash EBITDA			113,0	110,0	

** GetBack's net debt presented as of 1H15

Source: Financial statements of DTP, Kredyt Inkaso, GetBack, BEST, Casus Finance, Bloomberg, www.ir.prigroup.com, www.ir.hoistfinance.com, www.encorecapital.com, www.lindorff.com, Nwai Dom Maklerski estimates.

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