Ratings Actions On Eight European Distressed Debt Purchasers Reflect Tough Environment For The Sector Amid COVID-19

April 15, 2020

- S&P Global Ratings believes that the COVID-19 outbreak is likely to materially test the earnings, collections, and overall credit profiles of Europe's distressed debt purchasers.
- Additionally, although none of the distressed debt companies we rate has large immediate refinancing needs in 2020, we consider access to market funding could become more difficult, and more costly.
- Consequently, we are taking a number of actions on our ratings on Europe's distressed debt purchasers.
- We are affirming the long-term issuer credit ratings, and revising the outlook to negative from stable, on Arrow Global Group PLC (Arrow) and Cabot Financial Ltd. (Cabot). We are affirming the long-term credit rating on Garfunkelux HoldCo 2 and keeping the outlook negative. We have also affirmed the issue level ratings on the debt issued by these entities.
- We are placing the long-term issuer and issue level credit ratings on AnaCap Financial Europe S.A. (AFE) on CreditWatch with negative implications.
- We are downgrading by a notch the issuer and issue level ratings for B2Holding ASA, Intrum AB, and Louvre Bidco. We are assigning a negative outlook to Intrum and B2Holding, and a stable outlook to Louvre.
- We are affirming the 'B-' long-term issuer credit rating on First Collection Bureau (FCB) and revising the outlook to stable from developing.

LONDON (S&P Global Ratings) April 15, 2020--S&P Global Ratings said today that it has taken the following rating actions on European distressed debt purchasers:

- Placed our 'B+' issuer and issue level ratings on AFE on CreditWatch with negative implications.
- Affirmed our 'BB-' issuer credit rating on Arrow, and the 'BB' issue level rating on its senior secured notes. The outlook was revised to negative from stable.
- Lowered our long-term issuer credit rating on B2Holding and the issue level rating on its senior unsecured note to 'B+' from 'BB-'. The outlook is negative.
- Affirmed the 'BB-'issuer and issue level on Cabot. The outlook was revised to negative from stable.
- Affirmed the 'B-' issuer level rating on FCB. The outlook was revised to stable from developing.

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- Affirmed our 'B+' issuer credit rating on Garfunkelux Holdco 2. The outlook on the rating remains negative. We also affirmed the 'BB' issue level on the group's revolving credit facility (RCF), 'B+' rating on the group's senior secured notes, and the 'B-' rating on the senior unsecured notes.
- Lowered our issuer credit ratings and the issue-level ratings on Intrum's senior unsecured debt to 'BB' from 'BB+'. The outlook is negative.
- Lowered our long-term issuer credit rating on Louvre Bidco to 'B+' from 'BB-', and the issue level rating on its senior secured notes to 'B+' from 'BB-', with a recovery rating of '4', based on our expectation of meaningful recovery prospects (30%-50%). The outlook is stable.

Today's rating actions reflect a more conservative view on rated European distressed debt purchasers, amid the ongoing COVID-19 pandemic and its severe repercussions on capital markets and the European economy. Importantly, as a consequence of the pandemic, we expect the earnings, collections, and liquidity profile of all of the sector's credits to come under a period of sustained pressure. Specifically, the sector must find ways to absorb falls in portfolio and servicing revenue, and shortfalls in collections over the next six to 12 months, as the outbreak continues across Europe. With several countries in lockdown because of COVID-19, operational capabilities to collect may be somewhat curtailed, and as unemployment rises rapidly we forecast materially weaker cash flows in 2020. In addition, although we currently anticipate an economic recovery in 2021, the magnitude of the rebound is uncertain.

Furthermore, our rated entities all depend on regular and affordable market funding to sustain their growth, because we do not expect them to be sufficiently cash generative to repay debt from free cash flow only. Importantly, after a sustained period of strong growth and frequent mergers and acquisitions (M&A), leverage has remained persistently high over the past two-to-three years and most of these companies have failed to meet their deleveraging objectives. We see debt as being generally high across the sector, compared with other corporate-like financial institutions, and already considered this a notable credit weakness before the emergence of the pandemic, and the expected recession in most European economies. A combination of weaker cash flows in 2020 and potentially more-complicated market access could weigh on the financial profile of the distressed debt purchasers, and the negative rating actions we are taking today reflect this heightened risk.

Our rating actions are not uniform--some entities were downgraded, while others saw CreditWatch placements, and outlook revisions. This diversity captures the differing levels of headroom at each company at the previous rating level in areas such as our liquidity/covenant analysis; debt leverage; coverage of interest by EBITDA; exposure to the countries most affected by COVID-19; and diversity of earnings streams, by geography and business.

Our negative outlooks on Arrow, B2Holding, Cabot, Garfunkelux HoldCo 2, and Intrum, and the CreditWatch negative placement for AFE, all signify our concern regarding the growing uncertainty posed to collections and earnings performance as COVID-19 spreads across Europe. We expect annual servicing and portfolio incomes, alongside cash collections on portfolios, to reduce significantly for our issuers, worsening our EBITDA forecasts, and straining issuer cash flow and liquidity profiles. These reductions come as the outbreak continues to test collections infrastructure, notably the Southern European court system, and as employment levels begin to come under pressure in core European markets.

That being said, the liquidity and funding positions of most of our rated entities are relatively solid as we enter a period of sustained economic pressure. Notably, only two issuances in the sector mature within the next 12 months--floating-rate notes issued separately by B2Holding and Intrum (Swedish krona 1 billion or about €90 million), maturing in 2020--and we note very low volumes of committed portfolio acquisition in the sector for the remainder of the year, even where portfolios are purchased on a forward-flow basis. Furthermore, we understand that collections activities--meaning in-house collections staff--have not been materially disrupted by social distancing and lockdown measures in Europe, with the majority able to work remotely. However, certain names in the sector--notably B2Holding--have very little headroom in their maintenance covenants, threatening their liquidity and funding positions in the near term.

We have updated our forecasts for 2020 for this review. Our expectations for debt to EBITDA and EBITDA interest coverage are showing a deterioration compared with 2019 levels, and compared with our previous forecasts for 2020, across the board. This calculation of EBITDA for distressed debt purchasers includes an adjustment to add back collections applied to principal, or portfolio amortization, which flows through the cash flow statement. This is to reflect the entire cash flow associated with collections on distressed receivables, since these collections could be used in theory for debt repayment. This adjustment makes EBITDA larger than statutory accounting figures. That said, distressed debt purchasers consistently purchase new distressed receivables to replenish their income-generating asset base and maintain profitability over the cycle. Although they have some discretion over the timing, this can significantly deplete collections applied to principal and we rate the companies assuming ongoing activities (that is, not assuming a rapid contraction of activities or a run-off scenario). Therefore, our EBITDA measure may overstate the true cash available to repay debt. With this in mind, we also consider in our analysis the impact of the add-back for collections applied to principal. Adjusting for this in an additional calculation of profitability, we believe that leverage and coverage would be weaker.

When determining the financial risk profile (FRP) of a company, whether a distressed debt purchaser or others, we have always looked at various supplemental ratios, to fine-tune our view. These include funds from operations (FFO) to debt, or tangible equity metrics, alongside leverage and interest coverage ratios. In the eight cases discussed in this review, all credit ratios are showing a deterioration in 2020.

AnaCap Financial Europe (AFE): B+/Watch Neg/--

Our 'B+' rating on AFE reflects its relatively niche and profitable position in the European market for distressed debt, alongside its highly leveraged, if relatively cash generative, financial profile.

We expect debt to EBITDA to exceed 6x at end-2020 (from approximately 4.2x at end-2019), due to the group's substantial exposure to the Spanish and Italian economies, which are under stress. Furthermore, although we expect 2021 leverage metrics to improve, as delayed collections from 2020 are realized, the timing and visibility of these cash flows remain somewhat uncertain in our view, as economic pressure in these geographies will persist for the remainder of 2020 at least. In addition, we expect cash flows to remain more volatile than for most peers. Therefore, we see at least a one-in-two chance that we could lower our rating on AFE in the next three months.

Today's CreditWatch placement is consistent with our outlook statement published on March 20, 2020. In this published outlook, we stated that we would take a negative rating action if the ongoing COVID-19 outbreaks in Southern Europe result in further delays in collections, as well as material impairments and forecast revisions, such that expected debt to EBITDA remains materially above 4x in 2020 and 2021.

CreditWatch

Our CreditWatch placement captures the risk that the pandemic's effect on the group's financial performance and liquidity could mean that AFE's rating is no longer commensurate with the current 'B+' rating level.

We aim to resolve the CreditWatch placement in the next three months, after the publication of first-quarter results in May 2020. This will give us more clarity on the initial impacts of COVID-19 on AFE's collections, liquidity, and financial position in 2020. We will also assess the extent to which we could expect a recovery in credit metrics in 2021, or not.

At this stage, we see the possibility of a one-notch downgrade of the long-term rating on AFE. This may happen if leverage and interest coverage in 2020 deteriorate beyond our current estimates, shown in the table below, or if 2021 metrics do not show material improvement toward the levels seen pre-pandemic, in 2019.

Table 1

Anacap Financial Europe

	2018a	2019a	2020e
Debt/EBITDA (x)	4.1	4.2	>6
Debt/EBITDA* (x)	9.4	7.8	>11
EBITDA interest coverage (x)	5.4	4	<3
EBITDA interest coverage* (x)	2.1	2.1	<2

*EBITDA excluding the add-back for portfolio amortization. a-Actual. e--Estimated.

Arrow Global Group PLC: BB-/Negative/--

The 'BB-' rating on Arrow captures its stable strategic position as a truly pan-European debt purchaser, and asset servicer and manager. It also reflects our view of its relative high-leverage position, partly offset by its maturity profile with no maturities until 2024, its sustainably low cost of debt, and relatively robust EBITDA interest coverage--for which the company compares well with industry peers and the rating level. The launch of Arrow's first fund in 2019 should give the group greater financial flexibility, increasing capital-light revenue and allowing it to deploy materially less capital than previous years.

Given our updated forecasts, we expect debt to EBITDA to move above 4.5x at end-2020, with EBITDA interest coverage declining below 4x, a level still stronger than most peers. We expect a degree of recovery in these metrics for 2021 as lost collections from 2020 feed through for the group, and we consider the company's geographic diversity and franchise could support a rebound in credit ratios. That said, the timing and magnitude of these recoveries remain somewhat uncertain. As a result, we revised our financial risk profile to aggressive from significant, demonstrating a balance between the group's persistently high leverage, and its low weighted-average cost of debt and robust interest coverage ratios.

That said, the rating remains vulnerable while the pandemic remains active in Arrow's main operational markets, especially if the crisis lasts longer than expected, eroding key rating strengths further, especially EBITDA interest coverage. As such, we are revising the outlook to negative.

Outlook

The negative outlook indicates that as the COVID-19 outbreak worsens across the U.K. and Southern Europe, Arrow's near-term earnings and liquidity profile will come under increasing strain.

Downside scenario We could consider lowering the rating on Arrow if we saw emerging operational underperformance in the group's core markets of the U.K., Italy, and Portugal. Specifically, we would lower the rating if the ongoing COVID-19 outbreaks in these countries results in further delays and volatility in collections, and material declines in revenue. Importantly, if our expected interest coverage metrics in 2021, which we currently see as a strength compared with peers, do not improve from the lows we expect in 2020 (see below estimates), we would likely lower the rating by one notch.

Upside scenario We could revise the outlook to stable if we see evidence that collections and asset quality are back in line with historical levels, and that the macroeconomic environments in Arrow's core operating environments are stabilizing in the second half of 2020 and 2021. This implies, for instance, capacity to bring leverage metrics in 2021, back to levels close to those in 2019.

Table 2

Arrow Global Group PLC

	2018a	2019a	2020e
Debt/EBITDA (x)	4.2	3.8	>4.5
Debt/EBITDA* (x)	8.4	9.9	>10
EBITDA interest coverage (x)	5.7	5.9	<4
EBITDA interest coverage* (x)	2.9	2.3	<2.5

*EBITDA excluding the add-back for portfolio amortization. a-Actual. e--Estimated.

B2Holding ASA: B+/Negative/--

The downgrade to 'B+' from 'BB-', and the assigning of a negative outlook, reflects our revised financial forecast, which considers that COVID-19's effect on collections points to limited covenant headroom over 2020. While B2Holding would have sufficient available liquidity resources under its RCF to repay its bond maturity in December 2020, further delays in collection beyond our base case could raise doubts on the RCF availability and B2Holding's liquidity position. It could also constrain B2Holding's investment capacity if markets stabilize and business opportunities arise. We generally see the banks that provided the RCF as supportive--they have previously issued waivers for B2Holding to increase headroom to covenants. Nevertheless, we see a risk that the current economic environment and pressure on banks' asset quality could constrain their supportiveness. We are revising downward our liquidity assessment on B2Holding to less than adequate.

The concerns regarding covenant headroom, and more broadly about liquidity, are the main factor in our rating action on B2Holding.

Given our revised forecasts, we still expect B2Holding to have less leverage than most of the peer group, with debt to EBITDA of 3x-4x at year-end 2020. B2Holding's EBITDA interest coverage is expected to decline below 5x, and FFO to debt to decline closer to 20%. Still, we recognize there are downside risks to those forecasts, notably on the leverage front, due to the rapidly deteriorating economic situation in some European countries. Therefore, we believe that, on balance, and over the cycle, an aggressive FRP score is warranted, instead of significant. That said, there are some supportive factors, such as B2Holding's debt to tangible equity, which stands at about 3x. B2Holding stands out among its peers as having material positive tangible equity that provides some balance sheet buffer to unexpected losses.

Our rating on B2Holding continues to reflect its broad geographic diversification as a pan-European debt purchaser, which proves beneficial in the current environment, with COVID-19 effects in varying magnitude across countries.

Outlook

The negative outlook indicates that as the COVID-19 outbreak worsens across Europe, it will be more difficult to maintain the collection performance. This will strain B2Holding's earnings and liquidity profile over 2020.

Downside scenario We could lower the rating on B2Holding if we were to expect additional delays in secured or unsecured collections, beyond our base case for 2020 of a 12% drop in collections compared with 2019. This would further reduce covenant headroom to an extent that could become incompatible with a 'B+' rating.

Upside scenario We could revise the outlook to stable if we see a stabilizing macroenvironment in Europe that would lead to a pickup in collection, improve liquidity prospects, and give rise to opportunities in purchasing portfolios. This would also hinge on improving covenant headroom, through improving collections or RCF renegotiations.

Table 3

B2Holding ASA

	2018a	2019a	2020e
Debt / EBITDA (x)	3.7	3	>3.2
Debt/EBITDA (x)*	7.6	10.8	>8.6
EBITDA interest coverage (x)	4.8	5	<4.8
EBITDA interest coverage (x)*	2.4	1.4	<1.9

*EBITDA excluding the add-back for portfolio amortization. a-Actual. e--Estimated.

Cabot Financial Ltd.: BB-/Negative/--

As stated in our latest published outlook, on Nov. 29, 2019, we could lower the ratings on Cabot if debt to EBITDA were to remain above 4x. In our new base-case scenario, which incorporates the COVID-19 pandemic, we anticipate that Cabot's leverage metrics could exceed 4x in 2020 (compared with 3.9x at end-2019), and be at the high end of the 4x-5x range, although declining thereafter. Positively, we expect that Cabot's cash collection capacity, which is mostly based on unsecured portfolios, will prove to be more resilient than peers. In addition, we still anticipate that Cabot will remain committed to its deleveraging targets over the medium term, assuming an economic recovery.

That said, other important credit ratios are expected to be affected; for example, FFO to debt is forecast to remain below 20%, as in previous years. This level is more typical of an FRP assessed at aggressive, rather than significant. Therefore, considering the various credit ratios above, we assess FRP as aggressive and affirmed the rating at 'BB-', rather than taking a negative rating action, as we did for peers. We expect the company's EBITDA interest coverage to remain superior to peers. That said, as the negative outlook indicates, we also recognize that downside risks are substantial.

Outlook

The negative outlook on Cabot primarily indicates that the economic contraction in the areas in which the company operates could impair its cash collection capacity, causing its EBITDA interest coverage and deleveraging targets to weaken more than expected over the next 12 months.

Downside scenario Consequently, we would most likely lower the ratings over the next 12 months if Cabot's EBITDA interest coverage metrics, currently a relative strength compared with other European peers, were to fall and remain below our 2020 expectations. This may occur if Cabot's earnings generation capacity diminishes on the back of a greater deterioration in economic and operating conditions than we currently anticipate; it shows less commitment to its deleveraging plan; or the market environment becomes less favourable, making funding more expensive.

Upside scenario We could revise the outlook back to stable if we considered that economic and operating conditions had stabilized. This scenario assumes that 2021 credit metrics could gradually improve compared with the lows expected at end-2020, and converge back to 2019 levels.

Table 4

Cabot Financial Ltd.

	2018a	2019a	2020e
Debt/EBITDA (x)	4.3	3.9	# 4.5
Debt/EBITDA* (x)	7.8	7.3	> 8.0
EBITDA interest coverage (x)	3.9	4	# 3.0
EBITDA* interest coverage (x)	2.1	2.2	< 2.0

*EBITDA excluding the add-back for portfolio amortization. a-Actual. e--Estimated.

First Collection Bureau (FCB): B-/Stable/--

The 'B-' rating on FCB captures the company's narrow focus on purchasing and maximizing collections on distressed debt portfolios in Russia, as well as its modest scale and limited geographic diversification relative to certain peers.

We have revised downward our collection and revenue forecast to reflect the difficulties the company would likely face as a result of domestic economy slowdown due to COVID-19 and the oil price drop. However, under our revised forecasts, we expect the group's debt to EBIDTA to remain at about 1x for year-end 2020. Such a ratio incorporates FCB's low leverage, which had already decreased over 2019 (to about Russian ruble [RUB] 1.3 billion from RUB2.1 billion) compared with 2018.

Despite the low leverage compared with peers, our current assessment of the company's financial profile remains aggressive. This is due to FCB's shareholder structure, which has significant ownership by private equity funds (Baring Vostok and DaVinci Capital Management). Such ownership, in our view, can often lead to less predictable financial policy and leverage targets for a company.

We observe that the tensions associated with the investigation into FCB's key shareholder--Baring Vostok--initiated in February 2019 have receded over the past few months. Nevertheless, we think that there is still some uncertainty regarding the investigation's outcome and this could present downside risks for the company in the medium term.

We revised the outlook from developing to stable as we see lower potential for a positive rating action in the current environment. The stable outlook reflects our expectation that FCB will be able to repay existing debt in line with the schedule, despite our forecast revenue decline due to the COVID-19 outbreak's potential impact in Russia, and the company's still-limited refinancing ability.

Outlook

The stable outlook reflects our view that the ratings will likely remain unchanged over the next 12 months. We expect that FCB will be able to repay existing debt in line with the schedule despite the COVID-19-related decline in revenue that we currently forecast in Russia, and the company's limited refinancing ability.

Downside scenario We could lower the rating if we observe any material pressure on FCB's liquidity, leverage, or business risk profile. We could consider a negative rating action on FCB if we saw emerging operational underperformance in the group's core market of Russia. Specifically, we would also lower the rating if the COVID-19 outbreak in Russia results in larger delays and volatility in collections, and more material impairments than we currently incorporate, leading to substantial pressure on liquidity. Although it is not our base case at present, we could also lower the rating as a result of a court decision that FCB were, for example, liable for a RUB2.5 billion claim from Orient Express Bank's minority shareholder.

Upside scenario We consider a positive rating action as remote. However, we may consider an upgrade in the next 12-18 months if the Baring Vostok case is closed with limited negative implications for FCB; the outcome of the case leaves FCB able to continue to operate with low leverage and diversify its funding base; and we believe that its business position, franchise, and reputation are unscathed. This should be coupled with the evidence that collections and asset quality are in line with historical levels, and that the macroeconomic environment on FCB's operating market is more stable.

Table 5

First Collection Bureau

	2018a	2019a	2020e
Debt/EBITDA (x)	0.9	0.87	0.5-0.7
Debt/EBITDA* (x)	0.8	1.14	0.6-0.8
EBITDA interest coverage (x)	9.2	7.3	13.5-14.5
EBITDA interest coverage* (x)	10.1	5.61	10.8-11.3

*EBITDA excluding the add-back for portfolio amortization. a-Actual. e--Estimated.

Garfunkelux HoldCo 2: B+/Negative

Our 'B+' rating on Garfunkelux HoldCo 2 (Lowell) captures its position as the second-largest rated debt purchaser in Europe, including its significant geographic diversity, offset by its high leverage and financial sponsor ownership. Our view of the group's relatively robust strategic position is an important factor in the rating, and is reflected through our application of a favorable comparable ratings adjustment.

Under our updated base case, which takes into account our expectations for the effect of the COVID-19 pandemic on the group's core economies, Lowell's debt to EBITDA should sit at close to 6x at year-end 2020, from about 5.25x-5.5x in 2019. We expect that this metric will improve through 2021 from the 2020 lows, as we view management's commitment to reducing leverage as credible. Nevertheless, the magnitude of deleveraging depends on a recovery in collections for 2021 against our 2020 base case, alongside continued cost management efforts, and sustained economic recovery. We also believe that Lowell will continue to need stable market access and support. That said, we note the group's robust liquidity position at year-end 2019, and the relatively limited amount of committed portfolio purchases as supports to the rating position in 2020.

The affirmation with a negative outlook is largely in line with the outlook statement we published on Aug. 15, 2019. In aggregate, we view the group's leverage as being persistently high for the rating, and are revising our FRP assessment to highly leveraged, from aggressive. Despite deleveraging over the course of 2019, we expect the impact of COVID-19 on the group's collections to push its metrics sustainably above a level commensurate with the aggressive assessment. Indeed, some ratios--such as FFO to debt and leverage--were already close to, or at, the levels we consider commensurate with a highly leveraged assessment before the emergence of the COVID-19 pandemic at year-end 2019. When this leverage position is considered alongside the group's financial sponsor ownership, it constrains the rating at 'B+'.

Outlook

The negative outlook indicates that as the COVID-19 outbreak worsens across Europe, Lowell's earnings and cash flow profile will be strained in the near term.

Downside scenario We could consider downgrading the group if we saw emerging operational underperformance in its core markets of the U.K., the Nordics, Germany, Austria, and Switzerland. Specifically, we would lower the rating if leverage metrics weaken further in 2020, likely below our forecasts (see below), as a result of material declines in servicing revenue, and delays and volatility in collections.

Upside scenario We could revise the outlook to stable if we see evidence that collections and asset quality in the second half of 2020 and early 2021 are back in line with historical levels, and that the macroeconomic environments in the company's core operating environments are stabilizing. This would likely be supported by stronger interest coverage metrics, above the relatively weak levels observed in 2018 and 2019.

Table 6

Garfunkelux HoldCo 2

	2018a	2019a	2020e
Debt/EBITDA (x)	6.2	5.25-5.5	>5.75x
Debt/EBITDA* (x)	12.6	12.9	>11
EBITDA interest coverage (x)	2.4	2.6	<4x
EBITDA interest coverage* (x)	0.9	0.9	<1.75

*EBITDA excluding the add-back for portfolio amortization. a-Actual. e--Estimated.

Intrum AB: BB/Negative/B

As stated in our latest published outlook, we would lower the rating if we forecast that at the end of 2020, gross debt to EBITDA was likely to exceed 4.0x. In the first quarter of 2020, before the significant emergence of the COVID-19 pandemic, we had already started to consider it increasingly likely that the forward-looking leverage ratio could exceed our previous expectations, contrary to the company's strategic target of cutting leverage toward 2.5x-3.5x by end of 2020. We are therefore lowering our ratings on Intrum given that we now consider the company very unlikely to significantly reduce leverage over the next 12 months. Intrum's ambitious expansion in the past few years has been accompanied by a high pace of capital deployment with an aggressive financial profile, partially characterized by the recent share buyback announcement. In our view, especially given the recent COVID-19-related shutdown of numerous economies, the delays in deleveraging may outweigh the company's increased scale and diversity, at least in the short-to-medium term.

We see an additional degree of vulnerability in the business plans for 2020-2021, especially in Intrum's main operational markets, particularly Italy and Spain, which are severely affected by the outbreak of COVID-19 and the measures taken to curb its spread. Importantly, significantly delayed collections with lower revenue could lead to a deterioration in asset quality and drop in profitability. Despite the downgrade, Intrum remains the only 'BB'-rated distressed debt collection company in Europe, reflecting its superior franchise and diversification, by geography and business. As the COVID-19 pandemic continues, we expect financial considerations to outweigh business-related ones, from a credit perspective.

We now expect gross debt to EBITDA for Intrum to rise further from the 5.4x level reached in 2019, which is very high for a 'BB' rated company, although comparable with many of its direct peers in the sector. At the same time, the company benefits from a sustainably low cost of debt, with relatively favorable interest coverage metrics that are more favorable than the pure leverage metrics imply. This is why we view the financial risk profile as aggressive, rather than highly leveraged. Ultimately, although we see high pressure from Intrum's largest shareholder, Nordic Capital, we do not believe it exercises full control over Intrum, nor does it directly instruct the management board on its financial policy.

Outlook

The negative outlook indicates that as the COVID-19 outbreak worsens across Europe and in particular in Intrum's core markets, the company's gross collections and overall profitability will be tested, and the value of the acquired distressed debt portfolios could deteriorate. The search for high shareholder returns has been delaying the deleveraging process, and could continue to weigh on our assessment of Intrum's financial risk profile.

Downside scenario We could lower the rating over the next 12 months if we saw significant delays and volatility in collection or material impairments leading to a deterioration in profitability and liquidity. Specifically, we would lower the rating if operational underperformance led to a deterioration in financial metrics. This could happen if the coverage of interest by EBITDA continue to fall in 2021. We could also lower the ratings if we saw Intrum's currently sufficient liquidity buffer deteriorate; for example, by excessive or close-to-full utilization of the available RCF, or from any cancellations of the available commitment by the banks. Another downgrade trigger could be our changed view over the degree of control private equity funds exercise over Intrum, demonstrated, for example, by Nordic Capital increasing its shareholding toward or above 50%.

Upside scenario

We could revise the outlook back to stable if we saw a higher likelihood that collections and asset quality would remain in line with historical levels, with a gradual reduction of leverage ratios back to pre-COVID-19 levels.

Table 7

Intrum AB

	2018a	2019a	2020e
Debt/EBITDA (x)	4.8	5.4	>6
Debt/EBITDA* (x)	8.0	9.6	>10
EBITDA interest coverage (x)	6.5	5.5	<5.0
EBITDA interest coverage* (x)	3.9	3.1	<3.0

*EBITDA excluding the add-back for portfolio amortization. a--Actual. e--Estimated.

Louvre Bidco: B+/Stable/--

Our 'B+' long-term issuer credit rating on Louvre Bidco, the nonoperating holding company of iQera Group, balances the group's focus on the narrow, but expanding, French distressed debt purchasing and debt servicing market, against its dominant market position there. It also reflects our view of its weaker financial risk profile and financial sponsor-owned nature, somewhat moderated by a prudent management and strong collections attributable to its investment discipline.

Today's rating action on Louvre Bidco indicates that we expect the company's leverage metrics to deteriorate, given the economic effects of the COVID-19 pandemic. Assuming a moderate decline in collections and servicing revenue in 2020, somewhat cushioned by the company's ability to adjust its cost base, we expect debt to EBITDA to trend toward the higher end of the 4.0x-5.0x range, compared with our previous expectations of 3.5x-4.0x. 2019 metrics stood at around 4.0x. The expected weakening in leverage metrics, coupled with majority private-equity ownership, lead us to revise the FRP to highly leveraged, from aggressive, and therefore lower the rating to 'B+'. This is line with our outlook published on Jan. 21, 2020.

Although private-equity ownership implies that liquidity could be managed very tightly, we view the group's liquidity very favorably, especially compared with peers, in the light of no upcoming maturities, low expected portfolio purchases, and historically large liquidity buffers. The group's prudent risk management and ample cash position are key strengths versus peers, in our view, to weather this tough operating environment. We reflect those strengths by adding a positive comparative adjustment notch. This is also why the company has a stable outlook, as opposed to most peers, indicating more limited further downside risk.

Outlook

The stable outlook on Louvre Bidco assumes a moderate decline in collections and servicing revenue, this year and next, in France and Italy, somewhat mitigated by the group's ability to manage its cost base in a flexible way. It is also supported by the group's prudent management, notably in terms of liquidity and investment.

Downside scenario We could consider lowering the rating on Louvre Bidco in the next 12 months if the COVID-19 pandemic leads us to expect a material and more prolonged decline in revenue, pushing EBITDA interest coverage meaningfully below our 2020 forecasts.

Upside scenario Due to the private-equity owned nature of the firm, we are typically more demanding in terms of credit metrics to consider positive rating actions. We could consider one on Louvre Bidco if it returns to, and improves its metrics from the 2019 levels, most likely as a result of a normalization in the operating environment and ambitious deleveraging plans.

Table 8

Louvre Bidco

	2018a	2019a	2020e
Debt/EBITDA (x)	4.2	4	>4.5
Debt/EBITDA* (x)	N.A.§	10-11	>10
EBITDA interest coverage (x)	5.4	5.0-5.5	<5.0
EBITDA interest coverage* (x)	N.A.§	2	<2.0

*EBITDA excluding the add-back for portfolio amortization. §Due to the acquisition of DSO in October 2018. a--Actual. e--Estimated.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Financial Institutions | Finance Companies: Key Credit Factors For Financial Services

Finance Companies, Dec. 9, 2014

- Criteria | Financial Institutions | General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

*** * * * * * * * * * * * AnaCap Financial Europe S.A. * * * * * * * * * * ***		
CreditWatch Negative/Outlook Action		
	To	**From**
AnaCap Financial Europe S.A.		
Issuer Credit Rating	B+/Watch Neg/--	B+/Stable/--
AnaCap Financial Europe S.A.		
Senior Secured	B+/Watch Neg	B+
Recovery Rating	4(40%)	
*** * * * * * * * * * * * * Arrow Global Group PLC * * * * * * * * * * * * ***		
Ratings Affirmed; CreditWatch/Outlook Action		
	To	**From**
Arrow Global Group PLC		
Issuer Credit Rating	BB-/Negative/--	BB-/Stable/--
Ratings Affirmed		
Arrow Global Finance PLC		
Senior Secured	BB	
Recovery Rating	2(70%)	
*** * * * * * * * * * * * * * * B2Holding ASA * * * * * * * * * * * * * * ***		
Downgraded; CreditWatch/Outlook Action		
	To	**From**
B2Holding ASA		
Issuer Credit Rating	B+/Negative/--	BB-/Stable/--

Downgraded		
	To	**From**
B2Holding ASA		
Senior Unsecured	B+	BB-
Recovery Rating	3(60%)	3(60%)
* * * * * * * * * * * * **Cabot Financial Ltd.** * * * * * * * * * * * *		
Ratings Affirmed; CreditWatch/Outlook Action		
	To	**From**
Cabot Financial Ltd.		
Issuer Credit Rating	BB-/Negative/--	BB-/Stable/--
Ratings Affirmed		
Cabot Financial (Luxembourg) II S.A.		
Senior Secured	BB-	
Recovery Rating	3(65%)	
Cabot Financial (Luxembourg) S.A.		
Senior Secured	BB-	
Recovery Rating	3(65%)	
* * * * * * * * * * * * * **First Collection Bureau** * * * * * * * * * * * *		
Ratings Affirmed; CreditWatch/Outlook Action		
	To	**From**
First Collection Bureau		
Issuer Credit Rating	B-/Stable/--	B-/Developing/--
* * * * * * * * * * * * **Garfunkelux Holdco 2 S.A.** * * * * * * * * * * * *		
Ratings Affirmed		
Garfunkelux Holdco 2 S.A.		
Issuer Credit Rating	B+/Negative/B	
Senior Unsecured	B-	
Recovery Rating	6(0%)	
Ratings Affirmed, Recovery Revised		
Garfunkelux Holdco 3 S.A.		
Senior Secured	B+	
Recovery Rating	4(45%)	4(40%)
Lowell Holding GmbH		
Senior Secured	BB	
Recovery Rating	1(95%)	
Simon Bidco Ltd.		
Senior Secured	BB	
Recovery Rating	1(95%)	

***************** Intrum AB (publ) ****************

Downgraded; Ratings Affirmed		
	To	**From**
Intrum AB (publ)		
Issuer Credit Rating	BB/Negative/B	BB+/Negative/B
Downgraded		
	To	**From**
Intrum AB (publ)		
Senior Unsecured	BB	BB+
Recovery Rating	4(35%)	4(35%)

****************** Louvre Bidco ******************

Downgraded		
	To	**From**
Louvre Bidco		
Issuer Credit Rating	B+/Stable/--	BB-/Stable/--
Senior Secured	B+	BB-
Recovery Rating	4(45%)	4(40%)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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