

## ACRA AFFIRMS BBB+(RU) TO SIMPLE SOLUTIONS LEASING COMPANY LLC, OUTLOOK STABLE, AND BBB+(RU) TO BOND ISSUES

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The credit rating of **Simple solutions Leasing company LLC** (hereinafter, the Company) is based on the Company's moderate business profile, adequate capital adequacy, strong risk profile, and satisfactory liquidity and funding assessment.

The Company is a medium-sized full-service leasing company, whose main activities include the financial leasing of vehicles and equipment to customers from various industries and regions in the Russian Federation. The Company is the largest asset of the Simple Solutions Group, which also includes leasing company PR-Leasing.ru LLC and several companies active in other areas. The Company's ultimate beneficiary is an individual connected with management.

### KEY ASSESSMENT FACTORS

**Moderate business profile assessment.** In H1 2022, the Company retained its medium positions in terms of new business and size of lease portfolio among Russian leasing companies. The volume of new business during H1 2022 decreased by 55% y-o-y, which is associated with the Company's decision to maintain the portfolio quality and the high level of liquidity in the conditions of deteriorating operating environment. The volume of lease portfolio for the 12 months preceding June 30, 2022 grew by 23%. The lease portfolio structure is dominated by road construction equipment (20% of the total portfolio), special equipment (19%), and cars and trucks (19%). ACRA estimates the liquidity of leased assets as medium. The Agency notes that the customer base concentration has declined slightly: as of June 30, 2022, the Company's largest customer accounted for 7.1% of the lease portfolio, while the ten largest customers accounted for 39% (7.8% and 43% a year earlier).

**Adequate assessment of capital adequacy.** According to IFRS statements for 6M 2022, the Company's capital adequacy ratio stood at 9.5%. For the past five years, the Company's averaged capital generation ratio is estimated at around 481 bps. ACRA assesses the Company's capital adequacy as adequate given the significant amount of revenue actually received and expected to be recognized in IFRS statements in future periods.

**High quality lease portfolio.** As of June 30, 2022, overdue and restructured leasing contracts amounted to 0.1% of the leasing portfolio. According to ACRA's estimates, the credit quality of the largest lessees is at a high level. In addition, the Agency does not see significant market or operational risks, which leads to a strong final risk profile assessment.

**The Company's funding structure is diversified.** Liabilities include mainly bank loans and debt securities (47% and 26% of the balance sheet, respectively, for 6M 2022). The Company actively uses bond market instruments. As of June 30, 2022, the Company had two outstanding bond issues totaling RUB 1.6 bln. The share of the five largest creditor banks is 36% of liabilities.

**Satisfactory liquidity position.** In the ACRA's base case scenario, which takes into account plans to develop new business, the Company exhibits a positive cash reserve at the end of each quarter for the next 12–24 months (the forecasted current liquidity ratio exceeds 1.0). In ACRA's stress scenario, a liquidity deficit is possible. However, this can be overcome through operational cash flow management by adjusting the number of new lease agreements.

### KEY ASSUMPTIONS

- Maintaining the current business model within the 12 to 18-month horizon.
- CAR above 9.5% within the 12 to 18-month horizon.
- Share of lease agreements with overdue payments under 5%.

### POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

#### A positive rating action may be prompted by:

- Strengthened position in the Russian leasing market;
- Improved liquidity and funding position.

#### A negative rating action may be prompted by:

- Decrease in capital adequacy due to rapid growth in business or increased cost of risk;
- Decreased ability to generate capital;
- Deterioration in lease portfolio quality;
- Deterioration in liquidity and funding position.

### RATING COMPONENTS

SCA: **bbb+**.

Adjustments: none.

### ISSUE RATINGS

Exchange-traded non-convertible interest-bearing certificated bond subject to mandatory deposit, 001P-03 series issued by Simple solutions Leasing company LLC (ISIN RU000A100Q35), maturity date: July 7, 2026, issue volume: RUB 400 mln — **BBB+(RU)**.

Exchange-traded non-convertible interest-bearing uncertificated bond subject to centralized title registration issued by Simple solutions Leasing company LLC, 002P-01 series (ISIN RU000A1022E6), maturity date: August 10, 2029, issue volume: RUB 1.75 bln — **BBB+(RU)**.

**Rationale.** Due to the absence of either structural or contractual subordination of the issues, ACRA regards them as *pari passu* to other existing and future unsecured and unsubordinated debt obligations of the Company. According to ACRA's methodology, the repayment level of the unsecured debt belongs to category II. Therefore, the credit ratings of the issues are equivalent to that of Simple solutions Leasing company LLC, i.e. BBB+(RU).

## REGULATORY DISCLOSURE

The credit ratings have been assigned to Simple solutions Leasing company LLC and the bonds issued by Simple solutions Leasing company LLC (ISIN RU000A100Q35, RU000A1022E6) under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Leasing Companies under the National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#). The [Methodology for Assigning Credit Ratings to Financial Instruments on the National Scale for the Russian Federation](#) was also applied to assign credit ratings to the above issues.

The credit ratings of Simple solutions Leasing company LLC and the bonds issued by Simple solutions Leasing company LLC (ISIN RU000A100Q35, RU000A1022E6) were published by ACRA for the first time on November 15, 2019, December 18, 2019, and September 9, 2020, respectively. The credit rating of Simple solutions Leasing company LLC and its outlook, as well as the credit ratings of the bonds issued by Simple solutions Leasing company LLC (ISIN RU000A100Q35, RU000A1022E6), are expected to be revised within one year following the publication date of this press release.

The credit ratings were assigned based on data provided by Simple solutions Leasing company LLC, information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the consolidated IFRS statements of Simple solutions Leasing company LLC and statements composed in compliance with RAS. The credit ratings are solicited, and Simple solutions Leasing company LLC participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which was, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to Simple solutions Leasing company LLC. No conflicts of interest were discovered in the course of credit rating assignment.

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