



Friday, March 02, 2018 | special comment

## GetBack – Debt Collector Announces Capital Raise

Rating: buy | target price: PLN 33.38 | current price: PLN 13.72

**GBK PW; GBK.WA | Financials, Poland**

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**GetBack announced earlier today that it would seek to raise fresh capital via a two-stage private placement process, the first consisting of up to 20 million shares expected to fetch between PLN 250 and 300 million, and the second consisting of 50 million shares set to raise PLN 700 million. Both issues will give priority placement to shareholders holding at least 0.5% of the Company's shares. The second one will target two potential strategic investors from outside the debt collection industry, subject to a 10-year investment commitment. GetBack plans to use half of the proceeds to restructure debt with a view to reducing financing costs by PLN 80-90m, and it will allocate the other half to new portfolio purchases. The Company aims to keep the ratio of net debt to equity at 1.2x-1.25x after the issue. It intends to keep investing 80%-90% of the annual expenditures in Polish debt portfolios, and it aims to continue to grow net earnings at an annual rate of 20%-25% in the coming years. GetBack says the growth achieved in 2017 was only marginally owed to one-time value adjustments.**

**GetBack's shares took a nosedive after the announcement, and they are down 14% as of this writing.**

### Issuance #1

GetBack hopes to raise PLN 250-300m with the first 20 million shares, which it plans to sell without publishing a prospectus. The issuance is subject to the approval of shareholders during an extraordinary meeting at the end of March, with the bookbuilding process set to be initiated a few days later. Placing priority in the first issue will be given to shareholders with at least 0.5% stakes.

### Issuance #2

The second issuance of 50 million shares is expected to raise PLN 700m, with the per-share issue price equal or higher than the price of the first issue. GetBack will be filing a prospectus this time, meaning that while it can issue the shares after the EGM the securities will not be listed until after Poland's regulator KNF approves the prospectus, which can take three to five months. The main intended recipients of second share batch are two potential strategic investors which GetBack says it has signed on to its plans.



## List of abbreviations and ratios contained in the report.

**EV** – net debt + market value (EV – economic value)  
**EBIT** – Earnings Before Interest and Taxes  
**EBITDA** – EBIT + Depreciation and Amortisation  
**PBA** – Profit on Banking Activity  
**P/CE** – price to earnings with amortisation  
**MC/S** – market capitalisation to sales  
**EBIT/EV** – operating profit to economic value  
**P/E** – (Price/Earnings) – price divided by annual net profit per share  
**ROE** – (Return on Equity) – annual net profit divided by average equity  
**P/BV** – (Price/Book Value) – price divided by book value per share  
**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents  
**EBITDA margin** – EBITDA/Sales

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**DCF** – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.

**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

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