



## Rating Action: Moody's upgrades B2 Impact's CFR to Ba2, outlook stable

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29 Sep 2023

Frankfurt am Main, September 29, 2023 -- Moody's Investors Service (Moody's) has today upgraded B2 Impact ASA's (B2 Impact), formerly B2Holding ASA, corporate family rating (CFR) to Ba2 from Ba3 and the senior unsecured rating to Ba3 from previously B1. The issuer outlook remains stable.

### RATINGS RATIONALE

#### RATIONALE FOR THE UPGRADE

The upgrade of B2 Impact's CFR to Ba2 from Ba3 reflects the company's more balanced and moderate growth strategy since 2019, following a phase of rapid growth between 2014 and 2018. The amended strategy has resulted in solid and continuous profitability, leverage below the sector's average, strong equity buffers and diminishing liquidity pressures. B2 Impact's financial profile has been stable since 2019 in the upper Ba range, despite COVID-19 related challenges and despite a highly competitive operating environment in the debt purchasing segment. B2 Impact's management has also ensured timely refinancings and adequate back-up facilities in order to mitigate refinancing risks during periods of potentially constrained capital market access. Moody's also takes into consideration that given a low current leverage level and headroom under its financial covenants, B2 Impact is well positioned to continue its moderate but profitable growth path.

As a result, Moody's removed the negative notch for Corporate Behavior and Risk Management for B2 Impact, which was previously also reflected in a governance issuer profile score (IPS) of G-4, indicating high governance risks under Moody's framework for assessing environmental, social and governance (ESG) risks. Consequently, the removal of the negative notch leads to a governance score of G-2 (from G-4) and an improvement of the Credit Impact Score to CIS-3 (from CIS-4), now indicating mainly the potential for longer-term pressures on B2 Impact's credit profile and ratings from high customer relations risks, typical for debt purchasing companies and reflected in an unchanged S-4 social IPS.

The Ba3 senior unsecured debt rating reflects the company's Ba2 CFR, B2 Impact's capital structure, specifically the priorities of claims and asset coverage in the company's current liability structure. In particular, the total size of B2 Impact's secured €610 million revolving credit facility (RCF) indicates higher loss-given default for senior unsecured creditors, leading to senior unsecured ratings one notch below the company's Ba2 CFR.

### OUTLOOK

The stable outlook reflects the agency's view that B2 Impact will be able to maintain its credit profile commensurate with that of a Ba2 CFR, despite current macroeconomic challenges, during the 12-18 month outlook period, continuing to maintain sufficient liquidity to seize purchasing opportunities, while safeguarding sufficient covenant headroom.

### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

B2 Impact's CFR could be upgraded if the company further improves its profitability while maintaining low leverage and adequate interest coverage, and demonstrates strong liquidity management, proactively refinancing upcoming debt maturities.

An upgrade of B2 Impact's CFR would likely result in an upgrade of the senior unsecured debt rating. B2 Impact's senior unsecured rating could also be upgraded because of an improvement in its debt capital structure that would increase the recovery rate for senior unsecured debt classes.

Downward rating pressure could develop if the company's capitalization weakens significantly, if profitability and leverage metrics deteriorate substantially or if the improved liquidity position significantly weakens.

A downgrade of B2 Impact's CFR would likely result in a downgrade of the senior unsecured debt rating.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies Methodology published in November 2019 and available at <https://ratings.moodys.com/rmc-documents/65543>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moodys.com/documents/PBC\\_1355824](https://ratings.moodys.com/documents/PBC_1355824).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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