# Press Release

Creditreform Rating

**Rated entity:**

Senior Notes with ISIN: NL0013526866 issued by CE Credit Management Invest Fund 1 B.V.

**Rating:**

Bsf

**Rating outlook / watch:**

watch negative

**Rating summary:**

Creditreform Rating (CRA) has reviewed the rating on the senior notes with the ISIN NL0013526866 issued by Credit Management Invest Fund 1 B.V. CRA has lowered the rating of the senior notes to $B_{sf}$ from $BB+_{sf}$. The qualifier is kept at "watch negative".

The transaction securitizes a portfolio of overdue receivables from Dutch debtors. Direct Pay Services B.V. manages the portfolio on behalf of the issuer. Positive rating drivers were the high granularity of the portfolio in conjunction with a first loss piece of 5%, and a performance and repurchase guarantee of Direct Pay Services B.V.

Primary negative rating driver is the high age of purchased portfolio receivables, which reduces our return expectations and may also lead to an increased asset-liability-mismatch at bond´s maturity, thus increasing the dependency on the repurchase guarantee of Direct Pay Services B.V. At the same time, CRA adjusted its assessment of the creditworthiness of the performance and repurchase guarantee given by Direct Pay Services B.V. from satisfactory to moderate. In addition, there is still a potential risk from further adverse effects of the COVID-19 pandemic.

Currently, the Issuer is in the process of replacing the management board of the security agent. The current security agent Stichting Obligatiehouders CECMIF1 will appoint the successor. This is expected to take place before 31 December 2020.

The audited annual financial statements as of 31 December 2019 of Direct Pay Beheer B.V. as the parent company of Direct Pay Services B.V., which are essential for deriving the creditworthiness of the Servicer's buyback guarantee, is not yet available.

Consequently, CRA keeps the qualifier at "watch negative" and will review the rating as soon as all information is available.

**Primary key rating driver:**

+ Credit enhancement (purchase price discount)
+ First Loss Piece of 5% of the total principal amount outstanding of the Notes (minus liquid assets) with currently (30.06.2020) EUR 3.63m
+ Guarantee from Direct Pay B.V.: buyback of non-performing portfolios at the purchase price plus total costs paid by the Issuer plus an annual yield of 10% minus the amounts already received (Performance Repurchase). In addition, the guarantee includes the buyback of remaining portfolios on the maturity date of the notes at the purchase price plus total costs paid by the Issuer plus an annual yield of 12% minus the amounts already received (Maturity Repurchase).
+ Deferrable coupon (for one period, max. three times)
+ Granularity of the portfolios – high diversification of receivables

- Breach of investment criteria regarding seller concentration and seasoning of claims
- High seller concentration of current portfolio: top 3 represent 59.48% of the total transfer price
- High seasoning of current portfolio: 68.73% with an invoice date from 2017 or earlier
- Asset class sensitive to macroeconomic and political development in the Netherlands and Belgium
- No early redemption mechanism, but the Issuer has the right to prepay the notes as of two years after the issue date
- Potential further negative impact on collection performance due to COVID-19 pandemic

**Rating sensitivities:**

Best-case scenario: In this scenario, we tested (ceteris paribus) the sensitivity of the creditworthiness of the Servicer and the weighted average money multiple by one notch improvement and +25% respectively, resulting in a rating of B+$_{sf}$.

Worst-case scenario: In this scenario, we assumed (ceteris paribus) a default of the Servicer, resulting in a rating of C$_{sf}$.

**ESG-criteria:**

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. Overall, ESG factors have a less significant impact on the current rating of the senior bond. Nevertheless, CRA identifies macroeconomic factors (particularly with regard to potential changes in consumer behaviour) to have a highly significant impact. Governance is relevant to the rating with respect to the counterparty risk of the Servicer and its internal risk management. A provided buyback guarantee has a risk-minimizing effect. Other individual factors with a potential key rating influence were not identified and therefore did not affect the final rating.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

https://creditreform-rating.de/en/about-us/regulatory-requirements.html

**Rating Date / disclosure to rated entity / maximum validity:**

December 11, 2020 / December 11, 2020 / June 28, 2024

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

**Initial rating date / rating:**

December 19, 2019 / BB+$_{sf}$ - Outlook stable

**Lead-analyst – position / Person approving (PAC):**

Philip Michaelis (Lead) – Senior Analyst

Stephan Giebler (PAC) – Senior Analyst

**Name & address of legal entity:**

Creditreform Rating AG, Europadamm 2-6, 41460 Neuss, Germany

**Status of solicitation:**

The rating is a solicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: Yes

With Access to Internal Documents: Yes

With Access to Management: Yes

**Rating methodology / Version / Date of application / Link:**

Rating Criteria and Definitions, Version 1.3, January 2018

Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018

Rating Methodology Trade Receivables Securitizations, Version 1.5, July 2016

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

https://creditreform-rating.de/en/about-us/regulatory-requirements.html

**Endorsement:**

Creditreform Rating did not endorse the rating according Article 4 (3), CRA-Regulation.

**Regulatory requirements:**

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy “Rating Committee,” all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity. To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants

2. Transaction documents

3. Issuing documents

4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore, CRA considers the quality and extent of information available on the rated entity as satisfactory. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.