

# RatingsDirect®

---

## Research Update:

# Russia-Based Credit Union Payment Center Outlook Revised To Positive On Economic Resilience; 'BB-/B' Ratings Affirmed

### Primary Credit Analyst:

Victor Nikolskiy, Moscow (7) 495-783-40-10; victor.nikolskiy@spglobal.com

### Secondary Contact:

Anastasia Turdyeva, Moscow (7) 495-783-40-91; anastasia.turdyeva@spglobal.com

## Table Of Contents

---

Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria And Research

Ratings List

## Research Update:

# Russia-Based Credit Union Payment Center Outlook Revised To Positive On Economic Resilience; 'BB-/B' Ratings Affirmed

## Overview

- CFT group continues to improve its competitive position in its main segments: IT software for banks and money transfers performed via its core subsidiary Credit Union Payment Center.
- Simultaneously, CFT group has posted a resilient operating performance while maintaining a zero debt policy despite the negative economic environment in Russia. We believe both trends are sustainable.
- We are consequently revising our outlook on Credit Union Payment Center to positive from stable, and affirming our 'BB-/B' global scale and 'ruAA-' national scale ratings.
- The positive outlook reflects our view that we would upgrade Credit Union Payment Center if CFT group maintains its current financial risk profile with zero debt and a balanced dividend policy, and continues to withstand weak operating conditions in Russia.

## Rating Action

On May 31, 2016, S&P Global Ratings revised its outlook to positive from stable on Russia-based Credit Union Payment Center (RNKO), core subsidiary and payment settlement center for CFT group. At the same time, we affirmed our 'BB-/B' long- and short-term counterparty credit ratings and 'ruAA-' Russia national scale rating on RNKO.

## Rationale

The outlook revision reflects our view that CFT group has improved its competitive position in its main segments: IT software and money transfers performed via its core subsidiary RNKO. Concurrently, CFT group has posted resilient profits while maintaining a zero debt policy despite the negative economic conditions in Russia. We think the group will sustain both trends, which should support its creditworthiness despite the difficult environment in Russia. We consider the group has shown more resilience than expected to the current downturn.

We continue to assess the group credit profile for CFT at 'bb-'. Our ratings on CFT group continue to reflect our assessments of its weak business risk profile and minimal financial risk profile.

We base our business risk assessment on:

- CFT group's good market position in the money transfer industry, especially in Russia and the Commonwealth of Independent States (CIS), where it dominates with a 70% market share. CFT group is the third-largest global money transfer company, behind market leaders Western Union and MoneyGram.
- The group's established position in the banking software development and maintenance segment, which includes the development, sale, installation, and maintenance of software products primary related to automated banking systems and sales of related equipment. CFT group is the market leader (close to 40% market share) in the Russian core banking software market and has a strong customer base that includes Russia's top-tier banks. The software business represented 30% of group revenues at year-end 2015, while amounting to about 60% of profits.

Our assessment of the group's financial risk profile as minimal is based on our view that the company has no outstanding debt and our expectation that it will not issue any debt within our 2016-2018 forecast horizon.

We continue to see risks resulting from CFT group's concentration in Russia and the CIS, given the current marked economic downturn.

CFT group's earnings volatility could consequently increase, compared with international peers. We consider that CFT group is coping well with this risk, but based on our comparable ratings analysis, we think the economic risks put CFT group at a disadvantage compared with global peers such as Western Union and Moneygram. We therefore continue to include a one-notch downward adjustment in our long-term rating on RNKO.

The rating on RNKO reflects its status as a core subsidiary of CFT group. CFT group owns 100% of RNKO, which is the group's settlement center for money transfer and payment systems. RNKO's business, operations, and strategy are closely integrated with those of the group. We view RNKO as an infrastructure vehicle whose primary goal is to secure the settlement of transactions in CFT group's payment systems. We consider that CFT group does not have any incentive to sell RNKO, as this would disrupt payment flows. The creation or purchase of another settlement center would be costly and time-consuming, in our view.

## **Outlook**

The positive outlook on RNKO reflects the gradual strengthening in its creditworthiness, via CFT group's improving competitive position and greater-than-expected resilience in the group's financial risk profile.

## Upside scenario

We could upgrade RNKO in the next 12-18 months if CFT group maintains its current financial risk profile with zero debt and a balanced dividend policy, while continuing to withstand weak operating conditions in Russia and the CIS.

## Downside scenario

We could consider a negative rating action on RNKO over the next 12-18 months if, contrary to our expectation, operating conditions for the group lead to pronounced revenue decline and profitability weakens substantially. We could also lower the ratings in the unlikely event that the group raises a significant amount of debt, exceeding a ratio of 2x debt to EBITDA.

## Ratings Score Snapshot

	To	From
Issuer Credit Rating	BB-/Positive/B	BB-/Stable/B
Group Credit Profile:	bb-	bb-
Business Risk:	Weak	Weak
Country Risk:	High	High
Industry Risk:	Moderately high	Moderately high
Competitive Position:	Fair	Fair
Financial Risk:	Minimal	Minimal
Anchor:	bb+	bb+
Modifiers:		
Diversification/Portfolio Effect:	Neutral (no impact)	Neutral (no impact)
Capital Structure	Neutral (no impact)	Neutral (no impact)
Financial Policy:	Negative (-1)	Negative (-1)
Liquidity:	Adequate (no impact)	Adequate (no impact)
Management and Governance:	Fair (no impact)	Fair (no impact)
Comparable Ratings Analysis:	Unfavorable (-1)	Unfavorable (-1)

## Related Criteria And Research

- Standard & Poor's National and Regional Scale Mapping Tables, Jan. 19, 2016
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For Financial Services Finance Companies, Dec. 9, 2014
- Issue Credit Rating Methodology For Nonbank Financial Institutions And NonBank Financial Services Companies, Dec. 9, 2014

- National and Regional Scale Ratings, Sept. 22, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Ratings List

Outlook Action; Ratings Affirmed

	To	From
Credit Union Payment Center		
Counterparty Credit Rating	BB-/Positive/B	BB-/Stable/B
Russia National Scale	ruAA-/---/--	ruAA-/---/--

### Additional Contact:

Financial Institutions Ratings Europe; FIG\_Europe@standardandpoors.com

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on the S&P Global Ratings public website at [www.standardandpoors.com](http://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.

Copyright © 2016 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.