

DEBT PURCHASE

# The image makes all the difference

When selling one of the country's largest receivables portfolios, the Spanish bank ABANCA was able to choose from amongst several lucrative offers. EOS Spain was therefore awarded the contract on more than just price.



**R**osalía Mera lived the Spanish version of the American dream. She grew up in the northwestern province of A Coruña, left school at the age of 11 and became a seamstress. Later, she and her husband designed and sewed their first items of clothing in their living room. In 1972, the couple founded the textile group Inditex, which includes the fashion chains Zara and Massimo Dutti. When Ms Mera died in 2013, the American business magazine Forbes assessed her assets at EUR 4.7 billion. Thus, she had succeeded in rising from a working class environment to become the richest woman in Spain.

The entire region benefited from her success. It is not least thanks to her fashion empire that about 1,800 Galician textile companies employ around 18,500 people. The Province of A Coruña, whose capital bears the same name, is today the richest province in the autonomous community of Galicia. The economy of the region and its capital has also been flourishing for some time as a result of the various urban development and local infrastructure projects.

**01 ABANCA in A Coruña:**  
A flourishing province in Galicia (Spain)

**02 ABANCA branch:**  
The financial institution covers 98 per cent of the population of Galicia

Regional improvements have benefited industrial companies and the tourism industry.

**Regional solidarity**

The ABANCA bank is an important financial resource for the Galician economy. The financial institution (in Galician 'a banca' means 'the bank') has dedicated itself to the cause of promoting local industry. Established in the Province of A Coruña in 2011, ABANCA is headquartered in Betanzos about 25 kilometres from the provincial capital A Coruña. The bank also operates more than 700 branches across Spain and nine in other countries.

**ABANCA – THE BANK**

ABANCA is part of the Venezuelan banking Group Banesco International. In 2010, its predecessor institution, NCG Banco, was taken over by FROB, the state-owned Fund for Orderly Bank Restructuring. The latter split up the bank after the restructuring and sold it to Banesco in 2014.



**Manuel González Cortés**  
Managing Director of  
EOS Spain



EOS Spain has the know-how and the necessary financial strength to take on megadeals involving debt purchases.

Regional solidarity may well have been one reason for the bank to decide in favour of EOS in a recent major deal. The EOS Group's Spanish company has its headquarters in A Coruña. And trust is more likely to arise through close geographical and personal contact. 'We purchased a major credit portfolio from ABANCA in the first half of 2016,' says Manuel González Cortés, Managing Director of EOS Spain (see interview on page 7). 'This receivables package is the largest we have ever purchased. It is also one of the most extensive portfolios containing unsecured receivables that has ever been put on the market here.'

#### **Long-term relations**

Beyond local solidarity of both business partners, there were other reasons that swayed ABANCA to award this major deal to EOS Spain. The bank was aware of the strengths of this collection specialist. 'We have been working in fiduciary collection for ABANCA since 2015 and, as part of this, assist them in the recovery of their receivables,' says Mr González. 'ABANCA

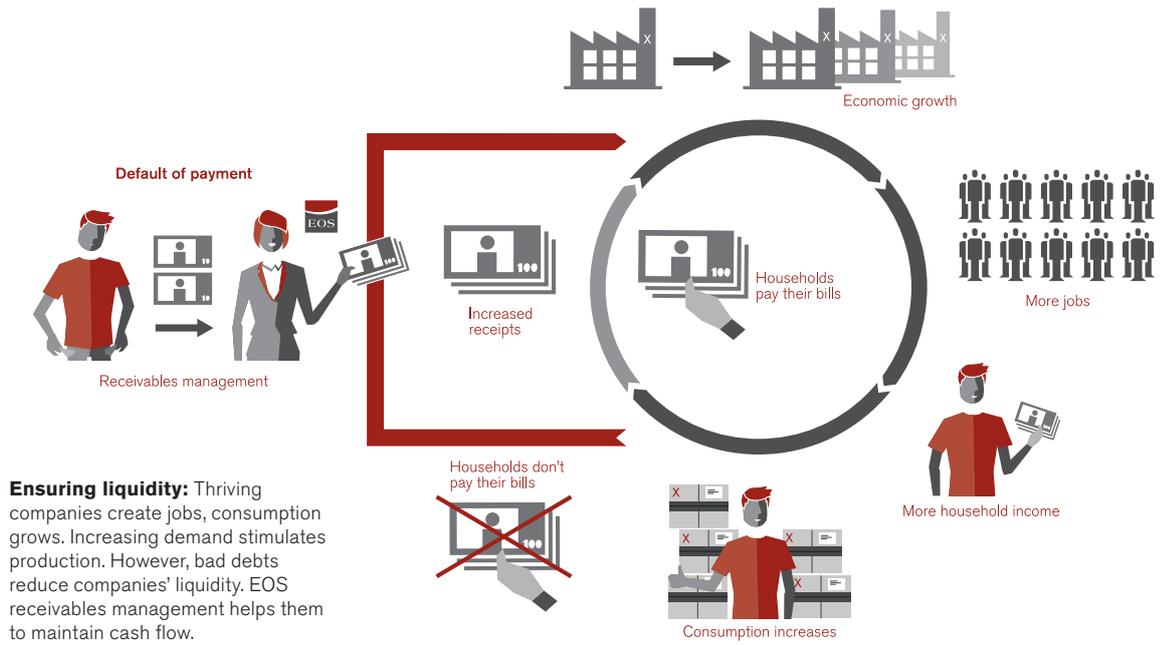
#### **A COUNTRY ON THE ROAD TO RECOVERY**

- In spite of protracted problems with forming a government, Spain seems to be on the road to recovery. Experts forecast that gross domestic product will grow by 2.7 per cent in 2016.
- Tourism is booming throughout Spain. It is expected that over 70 million holiday-makers will have visited the country by the end of 2016. Tourism brings money and creates jobs everywhere in the nation.

knows how efficiently and skilfully we operate.'

With the sale of the receivables portfolio, the financial institution embarked on a new corporate strategy of increasing cash flow with the sale of non-strategic assets. 'By selling defaulting receivables and therefore outsourcing their processing, companies free up capacity to ►

**BOOSTING THE ECONOMIC CYCLE**



**Ensuring liquidity:** Thriving companies create jobs, consumption grows. Increasing demand stimulates production. However, bad debts reduce companies' liquidity. EOS receivables management helps them to maintain cash flow.

concentrate on their core business,' explains Mr González.

**Many similar offers**

EOS Spain immediately signalled their interest in the ABANCA portfolio. But several months elapsed between the initial contact and the conclusion of the deal. 'In the initial stage we spent three months analysing the portfolio,' Mr González recalls. 'As it was such an important and extensive transaction, a large number of people were involved in the analysis.' Employees in Risk Management and the Legal Department of EOS Spain worked with their colleagues in the corresponding departments at headquarters in Hamburg (Germany). Senior management of the Spanish subsidiary and the holding company also kept in close contact with each other.

Once the analysis had been completed, the actual sales process commenced in March 2016. The contract was awarded to EOS Spain in June 2016. The award was not based solely on financial aspects. 'Of

course price plays an important part in debt sales,' Mr González indicates. 'But in this case a number of bidders entered the race with similar conditions. Therefore, the excellent image of our company in Spain was just as decisive. In any event, it was very important to ABANCA to maintain its good reputation after the sale,' Mr González explains.

**Sufficient liquidity**

The fact that EOS Spain was able to clinch the ABANCA deal is attributed to the company's experience in debt purchases. In 2015 alone the company was awarded three portfolios. With the purchase of the ABANCA package the Spanish EOS subsidiary moved into the big leagues among the country's major players. 'We proved that we had the necessary specialist capabilities and, thanks to our parent company EOS, sufficient liquidity to take on such an extensive transaction,' says Mr González.

The ABANCA portfolio consists of loans to consumers and to small and medium

**SPAIN IS IN EUROPE'S TOP 3 FOR DEBT SALES**

The Spanish market for debt sales is Europe's number 3 behind the UK and Ireland, according to research conducted by the auditors, KPMG. In 2015 receivables portfolios with a total value of EUR 15 billion came onto the market. Against the backdrop of a slowly recovering property sector and the improving economic situation, KPMG anticipates that sales activities will increase further.

## ABANCA IN FIGURES

- ABANCA maintains an extensive network of about 700 branches in Spain and nine outside Spain.
- Approximately 4,700 highly qualified bank employees look after the needs of ABANCA clients.
- About 2.2 million B2B and B2C clients have confidence in the expertise of ABANCA.
- With an equity ratio of 14.3 per cent, ABANCA is among the most solvent financial institutions in Europe.
- In the first half of 2016 ABANCA's net profit increased by 10.3 per cent to EUR 186 million.
- In the first six months of 2016 ABANCA reduced its irrecoverable debts by 22 per cent.

sized enterprises. It also pools items such as credit card debts, bank guarantees, over-drawn accounts and letters of credit. The package included a total of about 84,000 contracts with an overall value of EUR 1.383 billion. The average loan amount was about EUR 16,000. 'This considerable average value results from the large sums underlying many of the B2B loans,' Mr González explains.

### A high-profile deal

Both the buyer and the seller are already extremely pleased with the transaction. 'Our business relationship with ABANCA has been further reinforced by the purchase of this extensive portfolio,' says the Managing Director of EOS Spain. 'One result is that in the meantime the bank has invited us to participate in a strategic project.'

The megadeal is also a very high-profile acquisition: 'After the transaction became generally known, many banks and financial services providers indicated that they would invite us to participate in future debt sales,' says Mr González. EOS Spain is therefore confirming once again that the province of A Coruña obviously provides excellent conditions for financial success stories. ■



**Information**  
[es.eos-solutions.com/en](http://es.eos-solutions.com/en)  
 More about EOS Spain

## INTERVIEW

# 'The Spanish market is maturing'



**Manuel González Cortés:**  
 Managing Director  
 of EOS Spain

Managing Director Manuel González Cortés, explains how Spain's economic recovery influences the market for debt sales and how EOS Spain is reacting.

### As a result of the financial crisis, unemployment in Spain remains high and some banks are considered to be vulnerable. How do you assess the situation?

A number of Spanish banks are actually in a precarious position. Many of them have therefore sold assets in recent years and thus improved their rating in accordance with the EU Basel II Directive. I think that the rising trend towards the sale of distressed receivables will continue in coming years.

### At the present time it is realistic for the Spanish economy to hope for a slight recovery. Will this affect the business of EOS Spain?

The slow but steady recovery of the economy along with the declining unemployment rate could result in the stabilisation of bank lending, for instance. Thus the volume of potential transactions could increase for EOS Spain in future.

### Will you change your strategy and look for increased business in the field of debt purchase?

In the past the purchase of receivables portfolios had only minor significance for our revenue. However, we changed our strategy last year. We expect that the purchase of debts will become the main business of EOS Spain in the next few years.

### How will the market for debt purchases evolve?

Most of the portfolios sold in Spain in previous years consisted of very old debts. In the meantime somewhat younger portfolios are being sold. The Spanish market is maturing. I assume that the sales figures will develop in a more stable manner.

### How will EOS Spain react to this development?

We will further expand our contact with important banks and financial services providers and at the same time reinforce our contact with other sectors, for example, utility companies and telecommunication services providers. We have already taken over the receivables management for the most important companies in these sectors. Our expertise will stand us in good stead in debt sales. ■

## EOS SPAIN

- The company was founded in 1996 as Acción de Cobro.
- The EOS Group took over the company in 2009 and changed its name to EOS Spain in 2011.
- A total of 176 employees work at the headquarters in A Coruña and at branch offices in Barcelona and Madrid.