



Debt pricing and valuation

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Debt Pricing

Introduction

The elanev™ debt pricing tool provides a close to real-time valuation of a portfolio based on a configurable form and an upload of a template file.

The debt pricing tool is designed to be used as a relative assessment of multiple books and to provide an independent benchmark of your pricing. The elanev™ approach enables you to quickly evaluate all the portfolios that come across your desk so that you can obtain a relative assessment and identify the papers that you want your pricing analysts to prioritize.

The tool is also useful for assessing the potential sale price of an asset you might be selling, or provide you with a benchmark price from which you can benchmark buyers offers and evaluate the potential future conduct risks associated with each offer.

elanev™ provide the tool on an annual license basis giving you the opportunity to price as many books as you want, as and when you receive them¹.

Components

The pricing assessment includes the following analysis;

1. Qualitative analysis
 - a) Measurements of the portfolio according to balance range distributions, age of accounts, recency of payments, etc. (analysis depends on the data provided to the model).
 - b) Commentary on any extraneous or unusual characteristics within the file, for example, any historical payment activities that might have been settlements, etc.
2. Quantitative analysis
 - a. Predictive analytics to predict a likely gross recovery rate for the portfolio and liquidation through time.
 - b. Low and High-risk range estimates based on the statistical variance of the quantitative recovery rate.
3. Pricing assessment; the likely pricing to be offered to reach;
 - a. The target profit level by your provided investment term
 - b. Cost of capital (can be partially or wholly funded)
 - c. Cost of collections
 - d. Net pricing suggestions
4. Strategy / Operational alignment commentary
 - a. Rule-based suggestions for optimal profitability

¹ Record processing limits apply – see contract.

The free trial will provide you with the full pricing evaluation with some censorship on the output.

No portfolio data will be held or stored by elanev™. The pricing assessment does not require any individual level or address level data.

Input Data

The following template files can be downloaded in .CSV format.

In version 1 of the product, the CSV files are uploaded to elanev™ website.

File	Contents	Mandatory
Pricing Configuration	Set the sale type, placement, funding requirements and rates, etc. The pricing assessment is configured based on this input	✓
Pricing Data	Account level data for pricing. The completed template can be provided to elanev™ through an upload to the secure area of the website.	✓
Payment File	File showing the historical payments against each account before the sale.	No

Pricing Configuration

Data	Example Values	Integrity	Notes
Report name	#User Input	Free text field	Enter a report name or reference number that you will use to identify this portfolio.
Product Type	Bank	Select from list	Enter the product type. Current product types are: Bank, Auto Loan, Cell Phone, Cable, Credit Card, Store Card and Medical.
Placement Type	Prime	Select from list	Enter the placement type. Choose between Prime, Second, Tertiary, Quad, Late or Post Legal.
Outcome Period	72	Number in months (between 1 and 120)	Enter the outcome period in months from purchase. This can be between 1 and 72 months. For example if you want to make 20% profits after 5 years of placement, then enter 60 in this field. The finance costs are calculated against this point, as are the project profits.
Target Profit	20.00%	Enter a % e.g. 20% or 19.5%	The target profit in % terms against the spend value, after operational, external and finance costs have been deducted. This is how much profit you want to make on the book; for example 20% net profit after working the accounts for 60 months.
100% Percentage Financed	Yes	Select from list	If this purchase is to be totally financed then select 'Yes' in this field. If the book is to be partly financed, or funded from your own capital then enter a 'no' in this field.
Finance Capital	\$0.00	Enter a whole number	If the purchase is to be entirely financed or partly financed then enter the amount of capital that will be allocated to the purchase here. If the funds aren't sufficient to provide the target operating profit at the desired outcome period, then the shortfall will be calculated as financed capital. If the purchase is to be entirely financed then enter 0 in this field. If the finance capital is greater than the predicted net return (after profit) for the outcome period, then the model will estimate the capital required to deliver the Target Profit within the Outcome period.
Finance Rate (APR)	7.00%	Enter a % e.g. 4.2%	Enter the Annual Percentage Rate for the finance. If the finance capital is considered sufficient to purchase the portfolio (see Target

Data	Example Values	Integrity	Notes
			profit and outcome period) then this will not be used.
Non Engaging Strategy Duration	3	Input number of months	The number of months of working non-engaging accounts before collections activity on these accounts stops.
Previous Contingency Placement	Yes	Select from list	Enter a 'Yes' if you believe that the accounts have previously been worked by another third party entity. Enter a 'No' if you believe that this book has only previously been worked by a third party entity.
Post-Legal?	No	Select from list	Enter a 'Yes' if you believe that this book has been through the litigation process previously and is now "Post Legal", enter a 'No'; if you believe this book to be pre-third party litigation.
Legal authorized?	Yes	Select from list	Enter 'Yes' if the seller allows litigation / legal action against these accounts. Note if you have entered a "Yes" into the post legal field then this entry will not be included in the analysis.
Composite Litigation Cost	\$250.00	Enter a value in dollars	Enter the cost in dollars of the composite litigation costs for this book (composite charge across all states). If the litigation is paid for as a % of the collected, then enter the percentage value in this field. Note: If the Legal Authorized field is set to "No" then this will not be included in the analysis.
Litigation Stage	3	Stage (months since loading)	The stage in months, from loading the account, when non-engaging debtors would enter the litigation process. Note: If this is more than the Strategy Duration then no operational costs will be accrued between the Strategy duration and the Legal Stage.
Legal Minimum Balance	\$500	Enter a value in dollars	Enter in dollars the minimum legal balance required for an account to be issued to Litigation / Legal.
Field authorized?	Yes	Select from list	Select "Yes" or "No" if the seller allows for the accounts to be issued to the Field / Doorstep collectors.
Field Minimum Balance	\$150	Enter a value in dollars	The minimum balance in dollars for an account to be passed to the field. If all accounts would be passed to the field then enter 0. If all accounts over \$3,000 dollars would be passed to the field then enter 3000 in this field and only these accounts will be included in the model. Note: If Field Authorized is set to "No"

Data	Example Values	Integrity	Notes
			then this field will not be included in the calculation.
Field Costs	22%	Enter a value in dollars or a % commission	Enter either a flat fee cost in dollars, or the % rate for commission based on the amount payable from the field after your collections stage (see field stage). So, for example, if a field agent would charge you 40% of what was collected, enter 40; if the field agent would charge you \$200 per account then enter 200.
Field Stage	6	Enter a number	The number of months of working non-engaging accounts before the accounts are sent to the field. The number of months you will actively letter and phone the non-engaging proportion of this book. Note: If this is more than the Strategy Duration then no operational costs will be accrued between the Strategy duration and the Field Stage.
Outsourcing Authorized	Yes	Select from List	Select "Yes" or "No" if the seller allows for the accounts to be issued to the Outsourcer collectors.
Outsourcing stage	7	Enter a number	The number of months of working non-engaging accounts before the accounts are sent to an Outsourcer. The number of months you will actively letter and phone the non-engaging proportion of this book prior to Outsourcing. Note: If this is more than the Strategy Duration then no operational costs will be accrued between the Strategy duration and the Outsourcing Stage. If the outsourcing authorized is set to "No" then no operational costs will be applied to this activity.
Outsourcing Costs	22%	Enter a value in dollars or a % commission	Enter either a flat fee cost in dollars, or the % rate for commission based on the amount payable from Outsourcing after your collections stage (see Outsourcing stage). So, for example, if a Outsourcing company would charge you 40% of what was collected, enter 40%; if the Outsourcing agent would charge you \$20 per account then enter 20.
Digital collections?	No	Select from list	Enter "Yes" if the seller allows, and you have the capability of collecting these accounts through digital channels (non collector intervention).

Data	Example Values	Integrity	Notes
Digital Costs	\$0.09	Enter a value in dollars	Enter your monthly costs per account of sending an email and/or an SMS to a non-engaging debtor where you have a cell phone or an email address.
Skip management?	No	Select from list	Enter 'Yes' if the seller allows for debtors to be traced against these accounts.
Skip Rate	10%	Enter a % value	Enter the estimated value in % for the number of accounts that will require tracing within this book. If Skip Management is set to "No" then this figure will not be used in the cost of collection calculations.
Cost per letter	\$0.35	Enter a value in dollars	Enter the cost for letters issued for each non-engaging month. This cost will be calculated up to your outsourcing / legal / field / strategy point based on the estimated proportion of live accounts at this stage.
Cost per call	\$3.00	Enter a value in dollars	Enter the total cost for calls / call attempts for each non-engaging month. This cost will be calculated up to your outsourcing / legal / field / strategy point based on the estimated proportion of live accounts at this stage.

Pricing File

The following headings are provided in the template file. The qualitative assessment is entirely dependent on the information provided. The quantitative assessment is dependent on the mandatory fields being populated.

#	Field	Notes	Use	Mandatory
Pr1	URN	URN or account number	Can be used in the report to identify extraneous accounts or to identify duplicates etc.	No, if this field is blank elanev™ will create a URN at loading
Pr2	Balance	The current balance of the account	To run the qualitative and quantitative analysis	Yes
Pr3	Start date	Date of credit agreement	To run the qualitative and quantitative analysis	Yes
Pr4	Charge off date	Date of charge off	To run the qualitative and quantitative analysis	Yes
Pr5	Customer Date of	MM/DD/YYYY	Used to determine the customer age distribution	No

#	Field	Notes	Use	Mandatory
	Birth			
Pr6	State	State of the customer	Used for qualitative analysis	No
Pr7	Telephone number	1 or 0. 1 to indicate if the account has a telephone number present	For qualitative analysis	No
Pr8	Email address	1 or 0. 1 to indicate if the account has an email address	For qualitative analysis	No
Pr9	Last payment date	Date of the last payment	For qualitative analysis	Yes
Pr10	Last payment value	Value of the last payment	For qualitative and quantitative analysis	Yes
Pr11	Payment frequency	Frequency of the payments on the accounts (monthly, weekly, bi-weekly, etc.)	For qualitative and quantitative analysis	No
Pr12	Payment plan?	Was the account on a historical payment plan?	For qualitative and quantitative analysis	No
Pr13	Single / Joint accounts	Single or joint accounts?	For qualitative and quantitative analysis	No

Payment File

If a payment file can be provided then it will increase the accuracy of the pricing report and provide a higher quality quantitative report. The report will run without this file.

For trial clients, the number of payments within the payment file is limited to 5,000 records. For full clients there is no restriction on the number of payments, though very large files will obviously increase the processing time.

#	Field	Notes	Use	Mandatory
P1	URN	URN or account number	Can be used in the report to identify extraneous accounts or to identify duplicates etc.	Yes, this needs to match the URN provided in the pricing file

#	Field	Notes	Use	Mandatory
P2	Payment Date	Date of the payment in MM/DD/YYYY	For qualitative and the quantitative analysis	The date of the payment
P3	Payment Value	The value of the payment received	Can be a negative number if the payment was returned	Yes
P4	Payment Type	Frequency of agreed of payments (monthly, weekly, bi-weekly, other)	For qualitative and the quantitative analysis, can also be provided in the pricing file	No

Report

The content of the output report will be dependent on the data provided to the elanev™ pricing engine and the entries into the pricing configuration spreadsheet.

The content returned in the report will be dependent on the following data provision.

#	Output Parameters	Impact on report output	Impact on confidence in output
C8-C9, C14-C16	Will impact on the pricing assessment and therefore the value of the pricing report	High	V. High
Pr1-Pr4	Will impact on the qualitative and the quantitative analysis and impact on the integrity and confidence of the report	High	High
P1-P4	Will impact on the quantitative analysis	Medium - High	High
C3-C7, C17	Will have a significant impact on the pricing and the valuation if different from the default	Medium	Medium
C9-C13	Will only impact on one part of the pricing assessment	Medium	Medium
Pr5-Pr8	Will impact on the qualitative report only	Low	Medium
Pr9-Pr13	Will impact on the qualitative report and have some impact on the quantitative analysis	Medium	Medium
C1	Purely decorative; used as a header on the output file	Low	Low
C2-C3	Used to align the quantitative analysis	High	Low

Submission

To submit the files for processing, fill in the templates and upload back to the elanev™ server. The files will be processed immediately and you will receive your report within a few minutes for downloading.

The website does not currently include any validations, so if there are any processing errors you will receive a processing error file, indicating where possible the reason for the error. Should the files be too large to upload to the website, then elanev™ can provide a SFTP facility to the processing server (see options).

Options

The calculations for the quantitative analysis and other input assumptions are based on stock data from the last 12 years, spread over the debt types and placements offered. Some of the model parameters are fixed on this data set. Bespoke solutions are available that allow you greater flexibility and the ability to configure the following:

- Fitting of quantitative performance to your individual performance curves (your data will never be used for any other purposes, or to enhance any other models).
- Bespoke secure link directly into the elanev™ processing server, allowing unlimited file sizes to be priced².
- Configuration of the fixed parameters within the model to suit your data;
 - The predicted gross recovery and payment curves which can be calibrated to suit your performance.
 - The impact of previous third party placements.
 - Litigation prices by State (rather than the composite pricing included in the standard model).
 - Litigation uplift / impact on the book / by State.
 - Field uplift / impact on the book.
 - Outsourcing uplift / Impact on the book.
 - Previous payment frequencies uplift, for example, if an account has paid every month for the last 12 months then the model assumes uplift from being worked by a purchaser.
 - Current paying default rates; for example, if an account has paid six times in the last twelve then the model assumes a future default and collections rate. These rates of default can be all be configured within the model.
 - Debt age – The model currently assigns performance based on the age since working. These ranges can be adjusted to suit your experience.
 - Drop off rates – The proportion of non-paying live accounts and their drop off by month (insolvency, fraud, can't pay etc.) can be adjusted to suit your experience. For example, what % of non-contacted accounts are still live at month3, month4 etc.?
 - The duplication of cell phone and email addresses. How many of your customers have one or both channels open?
 - Responses by email and SMS; you can adjust the proportion of debtors that will engage using these channels.
 - The impact of post-legal accounts on a portfolio, calibrating the drop off on your accounts.
 - The impact of legal not / being authorized; you can change the uplift / impact of litigation within the model.
 - The impact of field not / being authorized; you can change the uplift / impact of field within the model.
 - The impact of Tracing not / being authorized; you can change the uplift / impact of Tracing within the model.

² Subject to volume limitations – see contract

- The uplift from working the account digitally can be adjusted.
- The proportion of account engaging through digital channels can be adjusted.

- Bespoke file template mechanism - elanev™ will work with file templates of your design.
- International pricing and conversion into different currencies (currently optional for UK, Spain, Ireland and Poland).

If any of these additional options are of interest then let us know at inquiries@elanev.com.

Your data will never be made available to any other analytics and your report will be bespoke to you.

Support

Should you require any further information or support, please use the details below;

inquiries@elanev.com

or

(T) (302) 415-3568