

PragmaGO enters Romanian market by acquiring 89% of Romanian factoring and microfinance Telecredit

BUCHAREST, ROMANIA, September 20, 2024 /EINPresswire.com/ -- [PragmaGO](https://www.einpresswire.com/pragma-go), a leading non-bank provider of SME finance in CEE, known for its innovative technological solutions developed by internal software house (PragmaGO.tech) has started its international expansion from the Romanian market through the acquisition of an 89% shareholding in TELECREDIT IFN SA (operating under the brand name [Omnicredit](https://www.einpresswire.com/omnicredit)) from investment company Reconstruction Capital II Limited (RC2) and Elisa Rusu, Telecredit's CEO, for an initial consideration of EUR 5.785 million plus an earn-out of up to EUR 0.445 million.



The deal is subject to Romanian foreign direct investment authority approval, RC2 shareholder approval, and a number of other conditions precedent.

PragmaGO provides financing to SMEs in the form of factoring and loans, mainly through embedded finance (BNPL and Merchant Cash Advance) - unique services that are directly integrated into the ecosystem of partners (e.g. marketplaces). Embedded finance are characterized by scalability and an automated risk management system.

E.g. Merchant Cash Advance allows an individual merchant's pre-financing limit to be estimated, based on – among others – sales in the partner's environment. Repayment can be made in instalments - as a percentage of turnover. The main European competitors in this field are Youlend, Liberis, Billie, iwoca, Mollie, Wayflyer.

In 2023, PragmaGO's portfolio value exceeded EUR 70 million and the company had 17,000 (+25% y/y) active clients in Poland. The company has grown by a factor of three in the last 3 years. At the end of the first half of the year, PragmaGO's turnover was PLN 1.15 billion, an increase of 25% year-on-year.

Romania, which shows significant growth potential in the SME financing sector, is the first step of PragmaGO's international expansion. Over the next three years, the company plans to enter several markets in Eastern and Western Europe.

Omnicredit, which also provides non-bank financing to SMEs, has been growing dynamically for several years. Specializing in digital factoring, Omnicredit's receivables portfolio amounted to EUR 6.4 million at the end of 2023 (+54% y/y).

The dynamic growth is followed by profitability - with a turnover of EUR 40 million (+40% y/y). In the first half of this year, Omnicredit has already achieved a turnover of EUR 28.5 million, representing growth of up to 90% compared to the same period last year. Its receivables portfolio has grown to EUR 8.2 million over the course of 2024.

Reconstruction Capital II Limited ("RC2") is a closed-end investment company which, apart from an 85% shareholding in Telecredit S.A., has two other main investments: Policolor S.A., a leading producer of paints and chemicals with manufacturing plants in Romania and Bulgaria, and Mamaia Resort Hotels SRL, a 300-room hotel in Mamaia, Romania's premium Black Sea resort.

"We see Omnicredit as a strong and trustworthy experienced strategic partner, and together we will continue supporting development of a wider group of Romanian SMEs. The company has a similar target customer profile to ours, focuses on digitalization and automation of its business processes and has strong operational and credit risk expertise. Together with Omnicredit we are well positioned to rapidly expand the portfolio and grow our customer base scale the business" – said Vjačeslav Lypko, Director of International Expansion of PragmaGO.

"We will focus heavily on embedded finance, which allows us to achieve economies of scale, including geographical scalability. In the area of digital factoring, we will implement processes that are innovative in the Romanian market and already proven with us. These are automated scoring algorithms and customer experience solutions. In Romania, as in Poland, we want to fill the financing gap for SMEs - to provide access to finance for companies that are not fully satisfied with the banking offer. Omnicredit's management team shares our vision for the joint project" - added Jacek Obrocki, Vice President of PragmaGO.

Ion Florescu, President of the Board of New Europe Capital Srl, the investment adviser to RC2, commented: "When RC2 as majority shareholder re-launched Telecredit as a factoring and microlending business in early 2019, its shareholder funds amounted to a mere EUR 1.05 million. Since then, Telecredit has been involved in approximately EUR 145 million of financing transactions, providing financial support to hundreds of Romanian entrepreneurs and SMEs. Excluding the earn out component, the sale of Telecredit, if approved by RC2's shareholders, will

represent a 6.2 times return on capital since the factoring business was started, and a return of 6.7 times if one includes the full earn-out component. If completed, the sale of Telecredit will represent another successful exit of RC2, and its second successful exit from a financial services business, the first being the sale of the Top Factoring group, a non performing loan (NPL) management business, in 2017 which returned EUR 19.8 million to RC2 (including dividends received over the course of the investment), or approximately 5.7 times the cost of this investment.”

Elisa Rusu, CEO of Telecredit concluded: “Telecredit has been supporting Romanian SMEs and entrepreneurs since it launched its ‘Omnicredit’ SME financing platform in early 2019, having provided EUR 145 million of financings either in the form of factoring transactions or micro-loans since then. The management team is proud to have grown the business in spite of a difficult period for Romania and the region, including the Covid-pandemic induced lockdowns and the war in Ukraine. We look forward to a new chapter in the company’s development once the transaction with PragmaGO is completed, and are confident that our new shareholders have all the resources and know-how to continue Telecredit’s exceptional growth trajectory.”

June Communications

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