

## 'CareEdge B-/Stable' assigned to MGKL PJSC

### Long-Term Local Currency Issuer Rating

**CareEdge B-/Stable**

CareEdge Global has assigned a Global Scale Long-Term Local Currency Issuer Rating of '**CareEdge B-/Stable**' to MGKL PJSC (MGKL).

### Rating rationale

MGKL's rating is driven by its established position as Russia's largest pawnshop business with a rich vintage. Its Mosgorlombard franchise is over 100 years old. It operates ~200 branches in Moscow, with gross advances/assets under management (AUM) of RUB 903 million as on June 30, 2025.

The pawnshop segment is a secure lending business with high collateral value and a loan-to-value (LTV) ratio of ~50%. MGKL provides ultra-short-term loans of 30-90 days, with high yields ranging 82-128% over the past five years. These yields offset high borrowing and operating costs. Further, the loss given default is low owing to regulations allowing the sale of pawned goods without borrower intervention. The company has diversified into the resale of pre-owned goods and the trading of precious metals. The resale segment has emerged as a key business, making the largest contribution to net profitability in recent years. The segment has reported high gross margin of over 50% and net margin of over 20% in the past few years. The inventory turnover ratio is adequate at ~1x, which reduces the risk of obsolescence. This segment also exhibits strong integration with pawn lending, as both businesses operate from the same stores.

However, these strengths are offset by a modest scale of operations centred around Moscow and a concentrated resource profile. In the absence of funding from the Russian banking sector, the company's borrowings are entirely from bond issuances. The rating is also tempered by an aggressive, acquisition-led growth strategy, which has resulted in the erosion of tangible net worth owing to sizeable goodwill from acquisitions, high debt levels that are not commensurate with the size of the business, and evolving governance practices.

### Outlook: Stable

The stable outlook reflects CareEdge Global's view that MGKL will continue to scale up its business, while maintaining its financial metrics and adequate liquidity.

### Rating sensitivities

#### Upward factors

- Significant increase in scale of the core businesses (excluding trading)
- Diversification in resource profile coupled with reduction in borrowing costs
- Sustained improvement in profitability metrics and interest cover over 3x

### **Downward factors**

- Increase in leverage, with debt-to-earnings before interest, tax, depreciation and amortisation (EBITDA) above 6x on a sustained basis
- Continuation of sizeable acquisitions, resulting in further erosion of tangible net worth

### **Analytical approach**

CareEdge Global has analysed MGKL's business and financial risk profiles on a consolidated basis by assessing the diversified nature of its operations across the pawnshop, resale, and trading segments. While pawnshop lending exhibits characteristics akin to a financial institution, its contribution to overall revenue and profitability is limited. Given the growing contribution of the resale segment, its close integration with pawnshop lending and management's expansion plans for this segment, MGKL has been evaluated under CareEdge Global's Corporate Rating Methodology.

As a standard practice, CareEdge Global has made (wherever necessary) suitable adjustments to the financial figures and ratios of MGKL mentioned in this report to make them more representative and comparable. Therefore, the figures and ratios mentioned in this report could be different from the reported ones.

### **Key rating drivers**

#### **Strengths**

##### **Established position as Russia's largest pawnshop lender with a rich vintage**

MGKL benefits from a long and well established history in the Russian pawnshop market, with operations extending over a century. The company has demonstrated a high growth trajectory in recent years, supported by an acquisition-led expansion strategy. MGKL's branch network has expanded significantly from 17 branches in 2019 to over 200 branches currently, strengthening its geographic reach and improving customer accessibility.

Yields in this segment have been robust, ranging from 82% to 128% over the past five years. The central bank has mandated an upper ceiling on rates at 117%, providing visibility regarding the sustainability of such yields. Gross advances amounted to RUB 903 million as on June 30, 2025, up from RUB 674 million as on December 31, 2024. However, these advances have remained volatile over the years given the ultra-short-term nature, resulting in a lower compound annual growth rate of 15% since 2021, considering the significant increase in branch count.

##### **High profitability in resale segment and close integration with pawnshop business**

The resale segment has emerged as a key business, with the largest contribution to overall profitability in recent years. The segment has reported high gross margin of over 50% and net margin of over 20% in the past few years. The inventory turnover is adequate at ~1x, which reduces the risk of obsolescence. This segment also exhibits strong integration with pawn lending, as both businesses operate from the same stores. The company also plans to

expand its resale segment through a dedicated online platform, which will help it in price discovery for articles in the resale and pawnshop lending segments. To sustain this advantage, MGKL plans to expand its resale business through a dedicated platform, aimed at widening its customer base and enhancing market penetration. Additionally, the management intends to pursue an initial public offering (IPO) of its resale segment in the upcoming years to support overall growth and consolidate its business profile.

### **Moderate profitability with improvement in 2025**

The company has diversified into the resale of pre-owned goods and the trading of precious metals. Margins have moderated in the past two years due to a higher revenue base, driven by significant revenue from the trading segment. Overall profitability is moderate at 5-6%, with significantly higher margins from the resale segment. MGKL has recovered from historical losses, maintaining positive EBITDA margins since 2023. Further, the debt-to-EBITDA ratio improved to 3x as on June 30, 2025, from 6.0x as on December 31, 2024. Similarly, the interest coverage ratio, though average, improved to 1.9x in H1CY25 from 1.5x in CY24, supported by improved earnings visibility.

### **Weaknesses**

#### **Small scale of business, operations concentrated in Moscow**

Despite being one of the oldest and largest pawnshop operators in Russia, MGKL's overall business scale remains modest, particularly compared with global peers. Although the company has pursued acquisitions in the past and expanded the branch network, its gross advances amounted to RUB 903 million as on June 30, 2025.

Further, the company's operations are concentrated in and around Moscow, exposing it to the concentration risk. The contribution of its pawnshop lending segment to overall profitability is limited, despite having been in business for over a century. Its revenue profile is highly skewed towards the trading business, which contributes around 80% to total revenue. However, this segment's contribution to overall profitability remains weak.

#### **Concentrated resource profile; high debt not commensurate with business size**

MGKL's resource profile is concentrated due to limited access to the formal banking system. This is largely a result of the absence of collateral, as ownership of pawned items remains with the borrower. Typically, Russian banks do not provide working capital loans to the pawnshops given the inherently short-tenure nature of pawnshop lending, coupled with rapid turnover of inventory and receivables. Resultantly, the company is reliant on external borrowings, predominantly unsecured, exchange-traded bond issuances. These instruments carry higher interest costs than bank financing, with borrowing rates reaching up to ~30%. MGKL's ability to diversify its resource profile and tap other funding sources will need to be monitored.

Further, the debt of RUB 3.5 billion as on June 30, 2025, is not commensurate with the company's scale. Since the trading segment typically does not require debt, debt in the resale

and pawnshop lending segments is disproportionately high relative to gross advances of RUB 903 million as on June 30, 2025. Higher debt has resulted in modest financial metrics, with interest cover of 1.5-2.0x in the past 18 months. Similarly, fund flow from operations (FFO)-to-debt ratio has averaged less than 15% over the past few years.

### **Large acquisitions resulting in erosion of tangible net worth; evolving governance**

MGKL has undertaken several mergers and acquisitions (M&As) over the past three years, leading to the creation of high goodwill amount and ultimately eroding its tangible net worth. Further, these acquisitions are yet to demonstrate commensurate economic benefits, as there is limited operating and financial track record on post acquisition performance. Management has also indicated its willingness to continue pursuing additional M&As, although no clarity has been provided on the target profile and size. MGKL's governance practices are still evolving, as reflected in alleged insider trading activity that resulted in penalty levied by the Central Bank of Russia (CBR). However, the company has implemented corrective measures, including process improvement and enhanced employee awareness programmes.

### **Liquidity**

MGKL's liquidity position is moderate with cash and equivalents of ~RUB 1.2 billion as on March 24, 2026, sufficient to support its regular operations and debt servicing obligations for the next 12 months. This is supported by cash reserves maintained across its branch network to meet customer lending requirements and comply with regulatory norms. As on December 31, 2025, the company reported relatively high liquidity of RUB 4.3 billion, a temporary build-up to support operations ahead of the holiday season. However, liquidity may get depleted in the event of any potential M&A. While no plans are finalised, such an event could temporarily weaken liquidity, depending on the transaction size and funding structure.

### **Environmental, social and governance (ESG) considerations**

MGKL's business model inherently supports the economy through its multi-segment operations. Through its resale segment, it promotes the reuse of consumer goods, particularly electronic items, thereby reducing waste generation. As an active participant in the precious metals turnover market, it processes unclaimed jewelry items through certified refineries that adhere to environmental standards. After refinement, these metals re-enter the market as new jewelry, contributing to resource efficiency and recycling. These activities lead to sustainable resource utilisation practices and mitigate environmental impact associated with primary metal extraction.

MGKL contributes to the social framework through mandatory social insurance contributions, such as contributions to the Pension Fund, Social Insurance Fund, and Mandatory Medical Insurance Fund, supporting employee welfare and social security.

On the governance front, MGKL has faced challenges in the past, following the imposition of penalties by the CBR related to an investigation into alleged insider trading. This raises concerns regarding regulatory compliance, internal controls, and governance oversight. However, MGKL has taken corrective measures, including employee awareness programmes, as well as strengthening internal compliance and governance procedures. Two of nine directors on MGKL's board are independent.

### **Operating environment**

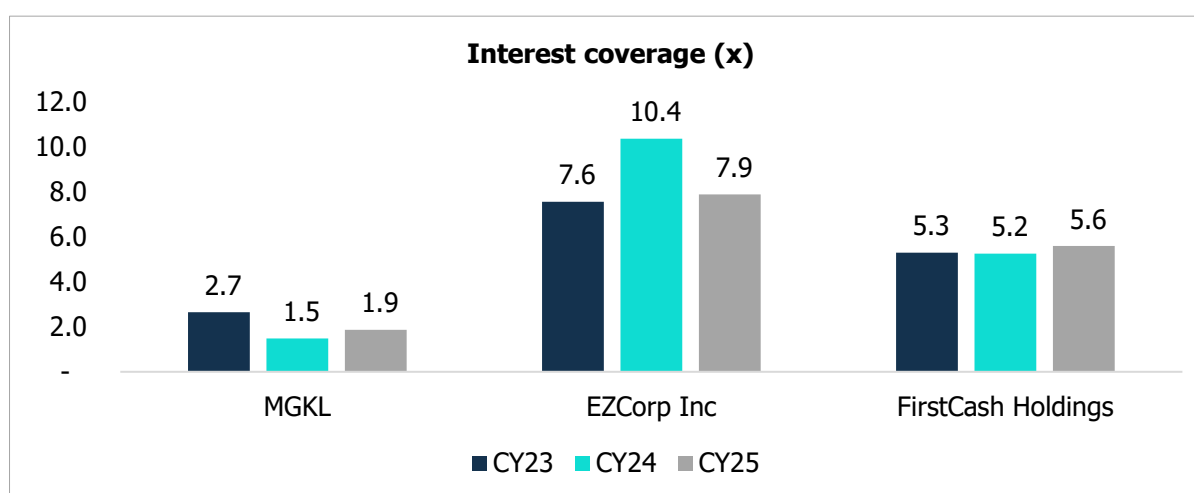
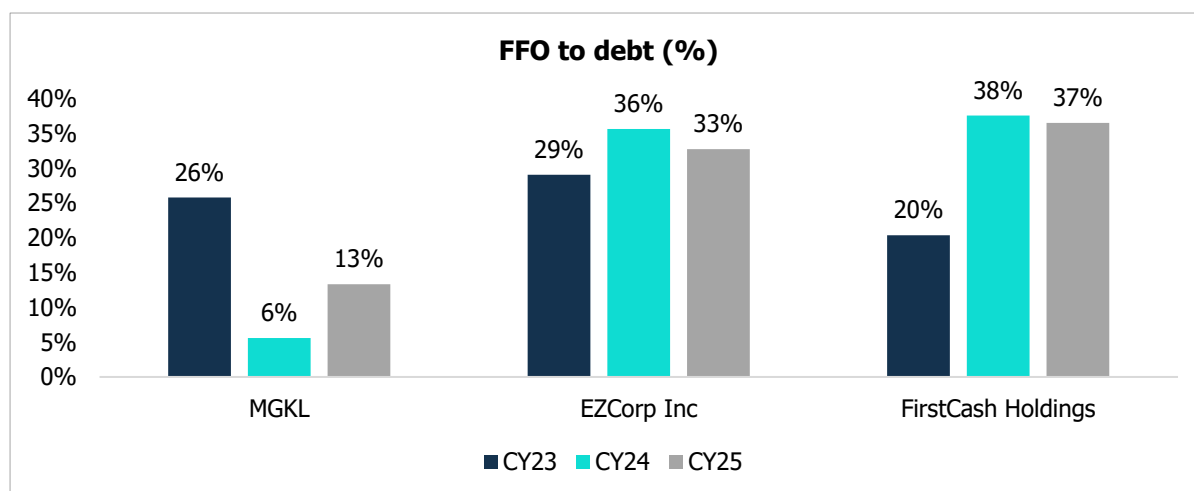
Russia's macroeconomic profile is supported by large size of its economy (~USD 2.5 trillion in 2025) and resource endowment, which have historically drove an export-oriented growth model. Investment levels remain moderate, with capital formation ~22% of GDP in 2024. War-related fiscal stimulus supported growth in 2023–2024, while a shift of trade toward markets such as China and India partially offset the loss of demand from Europe. Fiscal profile is supported by low general government debt, limited external borrowing, and manageable debt servicing costs. The presence of a sovereign wealth buffer (National Wealth Fund) provides flexibility to manage oil price volatility. Hydrocarbon revenues continue to underpin fiscal performance, although their share in total revenues has declined to around 22% in 2025. External position is supported by surplus current account, though reduced significantly along with positive international investment position. Russia's monetary framework is characterised by formal inflation-targeting regime and a managed floating exchange rate under the Central Bank of Russia. However, policy credibility is moderated by constrained institutional independence. Inflation moderated to 5.9% in Feb 2026, after peaking in 2022 to 13.8%. Policy rates remain elevated (around 15%) to anchor macro stability. The banking sector is operating under stress due to sanctions and economic adjustments, though reported asset quality metrics (3.5% as of January 2026) remain contained.

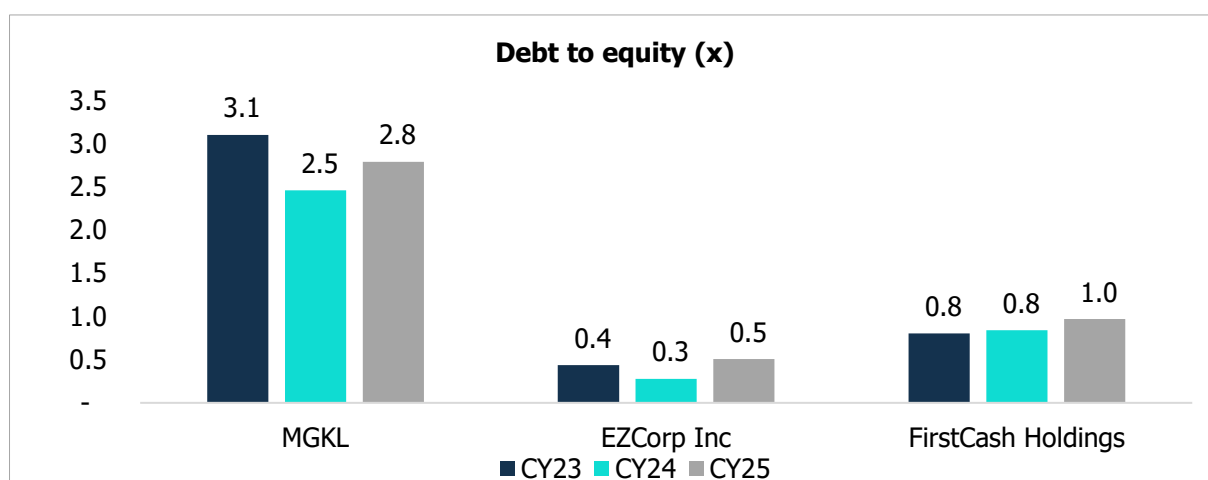
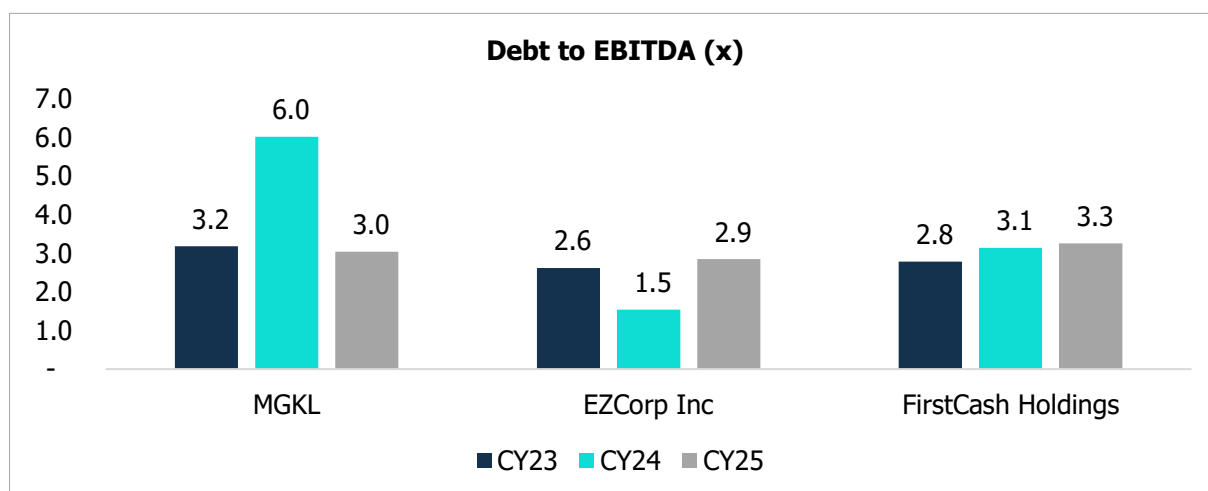
The external position has weakened since the onset of sanctions placed on Russia, with an estimated one-third of its forex reserves rendered inaccessible, and reduced access to traditional export markets. The diversification of reserves in currencies not sanctioned for Russia and increased use of alternative settlement mechanisms, including gold, provides partial mitigation. Yet, sanctions have reduced external flexibility by limiting access to global financial channels, while increasing transaction costs. The prolonged conflict has also strained fiscal balances and eroded parts of external buffers, particularly with respect to currencies sanctioned for Russia. Economic growth is also expected to moderate over the medium term as war-related fiscal support fades. Additionally, banking sector risks persist amid sanctions and structural constraints, weighing on financial intermediation and overall credit conditions. Russia's credit environment is further weighed by weak institutional effectiveness, constrained policy predictability, and elevated geopolitical risks.

### About the company

MGKL was established in 1924 pursuant to a decree of the People’s Commissariat of Finance of the Russian Soviet Federative Socialist Republic (RSFSR). It is one of the oldest organised pawnshop operators in Russia. The company primarily operates in the pawnshop lending segment through 200+ branches, providing ultra short term loans of 30-90 days largely to retail customers. These loans are secured against movable goods. Gold jewelry comprises ~90%, followed by electronics (5-7%) and fur products (3-4%). In addition, MGKL has diversified its business in recent years into the resale of pre-owned consumer goods (largely electronics, gadgets and home appliances) and trading of precious metals, mostly gold. The pawnshop lending business is regulated by the CBR and is subject to compliance requirements, including periodic reporting, cap on lending rates, and restrictions on loan tenure and size.

### Comparison with global peers





Note:

- a. EZCorp Inc and FirstCash Holdings are in business of pawnshop and resale of pre-owned goods
- b. CY represents period ending September for EZCorp, and December for MGKL and FirstCash
- c. CY25 represents 6M 2025 for MGKL

### Key summary financial metrics (consolidated)

Particulars	Unit	December 31, 2023	December 31, 2024	June 30, 2025
<b>Revenue</b>	RUB Mn	2,354	8,294	9,779
<b>EBITDA*</b>	RUB Mn	490	431	578
<b>PAT</b>	RUB Mn	262	393	414
<b>Total debt</b>	RUB Mn	1,558	2,596	3,521
<b>FFO to debt</b>	%	25.6	5.6	13.3
<b>Interest cover</b>	Times	2.7	1.5	1.9

\*Interest expense of pawnshop segment (RUB 268 Mn, RUB 308 Mn and RUB 225 Mn for 2023, 2024 and 6M 2025 respectively) have been considered as operating expense and therefore deducted from our EBITDA computation

### Rating history

Instrument	Type	Rating	Date
Issuer rating	Long-Term Local Currency	CareEdge B-/Stable (Assigned)	April 16, 2026

### Criteria applied

[CareEdge Global's Corporate Sector Rating Methodology](#)

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