

## Corporate Credit & Issue Rating

New  Update

Sector: Factoring

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### Analyst

Bora Pakyürek

+90 212 352 56 73

bora.pakyurek@jcrer.com.tr

### RATINGS

		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating	-	-		
National	Local Rating	AA- (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	AA- (Trk)	A-1+ (Trk)	
Sponsor Support		2	-	
Stand-Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
LC		Stable	-	

\*Affirmed by JCR on November 10, 2017

## Ulusal Faktoring A.Ş.

### Company Overview

Financial Data	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	287,349	264,194	251,093	289,586	236,713
Total Assets (000 TRY)	1,094,915	933,079	730,077	671,521	504,293
Equity (000 TRY)	131,562	109,101	97,130	82,125	67,631
Net Profit (000 TRY)	27,121	16,890	18,361	16,365	12,019
Market Share (%)**	2.50	2.82	2.73	2.54	2.31
ROAA (%)	3.07	2.54	3.28	3.48	3.66
ROAE (%)	25.90	20.52	25.67	27.34	23.97
Equity/Assets (%)	12.02	11.69	13.30	12.23	13.41
NPL (%)	4.77	4.65	4.27	2.79	2.41
Growth Rate (%)	17.34	27.81	8.72	33.16	58.28

\*Audited, End of year \*\*by asset size

**Ulusal Faktoring A.Ş.** (hereinafter referred to as Ulusal Faktoring or the Company) is a prominent non-bank owned factoring company. Founded in 1999, the Company began operations in 2001 following its acquisition by the current shareholders from the Saving Deposits Insurance Funds (SDIF). In December 2011, the investment company **PineBridge Eurasia Financial Investment S.a.r.l.** purchased 46.99% of its shares. Together with the experienced global partnership of **PineBridge**, the Company reinforced its growing trend in the market. Consequently, the Company ranked 5<sup>th</sup> among non-bank affiliated factoring companies in terms of average factoring receivables as of FYE2017. The Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006.

**Ulusal Faktoring** provides funding to its customer portfolio based in Turkey through the financing of their invoiced receivables. The Company is mainly focused on funding micro, small and medium sized enterprises (**MSMEs**). The customer base of the Company increased to 9,878 active clients in 2017, from 8,433 in the previous year. The Company is headquartered in Maslak (Istanbul) and has sixteen branches in the cities of Istanbul, Ankara, Bursa, Gaziantep, Kocaeli, Izmir, Antalya, and Adana. Ulusal Faktoring employed a staff of 250 at the end of 2017 (FYE 2016:242). Ulusal Faktoring signed a new credit agreement with **European Bank for Reconstruction and Development (EBRD)** worth € 10 mn as of July 2017. This resource is supposed to be serviced for the credit extension of the MSME segment.

### Strengths

- Cumulative asset growth outperforming the sector while maintaining a prudential scale
- Favourable and better than sector average interest margins, supporting the equity base with internally generated resources
- Well diversified portfolio and expanding customer base through growing branch network and national presence
- Notable improvement in the borrower concentration ratios, granulating the bulk loans and reducing idiosyncratic credit risk
- Diversified funding opportunities through debt issuances contributing to borrowings term structure and relieving liquidity management
- Resilience to fluctuations in foreign currency risks due to absence of non-TRY denominated liabilities
- Stable and experienced management team with an emphasis on adoption of corporate governance best practices & efficient internal control mechanisms

### Constraints

- Increasing interest rate environment
- Relatively high share of external funds among resources, despite an above-threshold capital adequacy and a slight improvement in equity-to-asset ratio
- Rising financial expenses pressurizing profitability
- Above sector operational expense ratios due to recent expansion of the branch network
- Intensive competitive environment dominated by bank-owned companies which have a comparative advantage with wide branch networks and low borrowing costs
- Ongoing uncertainties arising from domestic and global economic and political risks, pressurizing the risk appetite and asset quality of lenders

