

Corporate Credit Rating

New Update

Sector: Factoring

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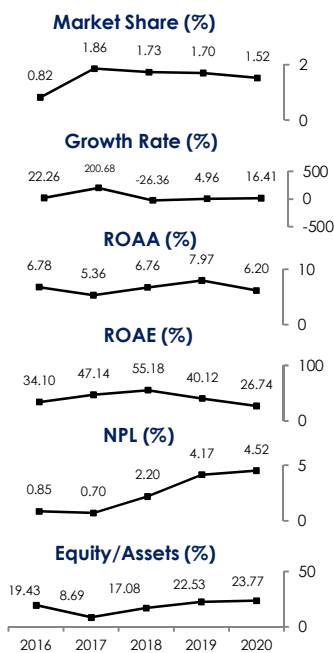
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RATINGS

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

*Assigned by JCR on April 10, 2020



Doruk Faktoring A.Ş.

JCR Eurasia Rating, has evaluated **Doruk Faktoring A.Ş.** in investment-level category on the national scale and affirmed the ratings on the Long-Term National Scale as **'AA-(Trk)'** and the Short Term National Scale to **'A-1+(Trk)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **'BB+'** with **'Negative'** outlooks, positioned same the country ceiling.

Doruk Faktoring Anonim Şirketi (referred to as 'the Company' or 'Doruk Faktoring') has operated in the Turkish Factoring sector since 1999 as a non-bank owned factoring company. The Turkish Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. The Company has distinguished itself from other factoring companies in the sector with its experience and knowledge gained through collection services provided to the media and advertising sector. After the sale of Doğan Media Group, the Company continues its activities in this arm. The Company sustains its cautious growth on a local basis with its 58 employees through three branch net-work within the structure. In addition to collection services, the Company expands its field of activities by controlling accounting, legal conformity, law, and financing services and provides the financing needs of non-Group companies with both its own resources and funds obtained from external sources.

The parent company, Doğan Şirketler Grubu Holding A.Ş. (rated by JCR Eurasia Rating on July 22, 2020 as AA(Trk)/Stable on the long term national scale), has roots dating back to 1959 in the fields of media, energy, retail, industry, automotive and real estate marketing, tourism, and financial services and holds 100% of shares in the Company.

Strengths	Constraints
<ul style="list-style-type: none"> Increasing and above sector averages equity level backed by solid internal equity generation capacity and high level of paid-in capital Majority of the balance sheet items being composed of earning assets contributing to asset quality Strong collateral coverage diminishing the credit risk Significantly above sector averages core profitability ratios of returns on assets and equity and profit margin despite a drop Established know-how in media sector and segregated Company position through intermediary role in the collection of advertising receivables as a factoring service from companies operating in the media sector Successfully issued capital market instruments providing fund diversification Maintenance of above sector interest margin contributed on returns Well-defined work flow processes, effective risk management infrastructure and credit risk analyses positively contribute on asset quality 	<ul style="list-style-type: none"> Upward trend in NPL ratios slightly exceeding the sector averages in FY2020 though provided full provision coverage of impaired loans Decreasing market share due to intensive competitive environment dominated by bank-owned companies Need for customer granularity increase to minimize concentration risk Pressure on the global economic outlook due to ongoing uncertainties arising from the global Covid-19 pandemic and economic challenges weighing on the corporates

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at **'AA-(Trk)'**. The distinguished position from other factoring companies in the sector with its experience and knowledge gained through collection services provided to the media and advertising sector; softening the pressure on increasing NPL through effective internal control mechanisms and risk management infrastructure supported by internal control systems; high provision level; experienced and structured management team; despite a slight drop, the contribution of above sector averages interest margin on income; sustainable cash flows and internal resource production capacity; above sector equity level and keeping a substantial portion of its profits under its profit reserves despite its dividend distribution increasing equity quality; Group's financial and operational support and brand identity; above sector averages assets and equity returns; and generation of internal resources and cash flows to meet interest expenses together are the factors that taking into account in the determining of Long and Short Term Notes of Company with **'Stable'** outlook. On the other hand, Doruk Faktoring's turnover and asset development, interest margin trend, market share, profit margin, capitalization level, maturity and indebtedness structure, the growth in the number of customers in the competitive market, improvements in receivable portfolio granularity to reduce the concentration exposure, the general outlook of the sector as well as, Covid-19 pandemic and geopolitical risks-driven uncertainties; collection performance of problematic receivables and the NPL level are issues to be monitored by JCR Eurasia Rating.

No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company's other liabilities with respect to its legal standing and collateralisation. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

It is considered that the Company's main shareholder, **"Doğan Şirketler Grubu Holding A.Ş."** which inter/nationally operating in many sectors, including media (internet, entertainment, media sector), energy and retail sectors and other group companies have the willingness and experience to ensure the long-term liquidity and equity within their financial capability when required and to provide efficient operational support to **"Doruk Faktoring A.Ş."** In this regard, the Company's Sponsor Support Grade has been determined as **(1)** in JCR Eurasia Rating's notation system, indicating the highest level.

The Stand Alone grade of the Company has been determined as **(A)** in the JCR Eurasia Rating notation system taking into account the Company's operational track record in advertising industry, market awareness in the media sector, equity and asset quality, effective risk management and intelligence mechanism, synergy and advertising with group companies, ease of access to funding sources, and strong collateral level, we, as JCR Eurasia Rating, are of the opinion that Doruk Faktoring A.Ş. has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, provided that it preserves its current customer level, efficiency, and existing macroeconomic level in the market.