

Corporate Credit & Issue Rating

New Update

Sector: Factoring

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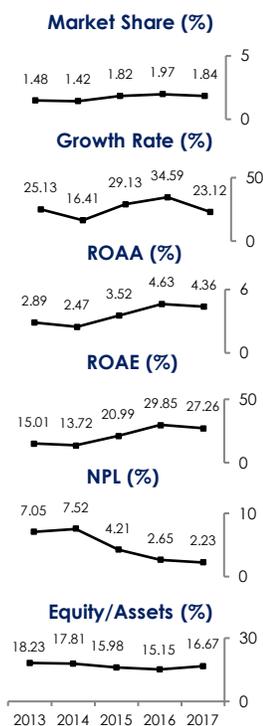
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RATINGS

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

*Affirmed by JCR on November 10, 2017



MNG Faktoring A.Ş.

Company Overview

Financial Data	2018H1	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	182,412	213,176	184,915	166,881	162,042	151,522
Total Assets (000 TRY)	831,926	804,078	653,083	485,222	375,760	322,803
Equity (000 TRY)	150,132	134,075	98,963	77,523	66,923	58,844
Net Profit (000 TRY)	16,056	27,126	21,514	10,643	8,116	5,989
Market Share (%) (by assets size)	N/A	1.84	1.97	1.82	1.42	1.48
ROAA (%)	N/A	4.36	4.63	3.52	2.47	2.89
ROAE (%)	N/A	27.26	29.85	20.99	13.72	15.01
Equity/Assets (%)	18.05	16.67	15.15	15.98	17.81	18.23
NPL (%)	2.94	2.23	2.65	4.21	7.52	7.05
Asset Growth Rate (%)	3.46	23.12	34.59	29.13	16.41	25.13

*End of year, 2018H1: June-end 2018, N/A: Not Applicable

MNG Faktoring A.Ş. (hereinafter referred to as MNG Faktoring, or the Company), founded in May 1999 and became operational in May 2002, operates as a factoring company offering factoring services to its clients in terms of cash management and receivable solutions covering invoiced/documentated receivables stemming from domestic sales or services. The factoring sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006 and MNG Faktoring is subject to its regulations. Although the majority of the Company's operations are generated in Istanbul, its branch network comprises 20 branches extending to cover prominent cities across Turkey. The Company is mainly focused on funding micro, small and medium sized enterprises (SME's) which have a considerable importance in stimulating the economic growth in Turkey. The Company was ranked 8th and 18th among non-bank affiliated and all factoring companies, respectively, in terms of factoring receivables as of FYE2017. The Company is headquartered in Elmadağ/Şişli and employed a staff force of 254 employees as of FYE2017 (FYE2016: 225).

As of FYE2017, the Company's utmost real person shareholder was **Mr. Mehmet Nazif Günel**, holding a share of 24.83%. 74.11% of the remaining shares belonged to companies under his holding company **MNG Holding A.Ş (MNG Group)**. The holding company included companies operating in construction and contracting, tourism, air transportation, energy and finance (MNG Faktoring) sectors. MNG Faktoring did not have any subsidiaries or affiliates as of the reporting date.

Strengths

- Robust loan book and assets growth capitalizing on the branch network investments and sales force
- Ability to generate and preserve interest margins outperforming the sector, increasing the profitability and supporting the equity base
- Lower NPL ratio compared to the sector
- Well diversified receivable portfolio diversifying the credit risk, enhancing the asset quality
- Experienced management team and well-organized risk management infrastructure
- Subsidiary of the MNG Group, a prominent conglomerate in Turkey
- Resilience to fluctuations in FX rates due to absence of FX denominated assets and liabilities
- Increasing total income and bottom line profits and no dividend distribution policy contributing to the sustained organic growth

Constraints

- Non-diversified funding structure dependent upon short-term bank loans and fluctuations in short-term interest rates
- Competitive sector dominated by bank-owned companies with comparative advantages of wide branch networks and low borrowing costs
- Increasing borrowing costs due to short-term bank loans oriented funding structure that is easily affected by the fluctuations in market interest rates
- Rapid depreciation of the Turkish Lira and increasing interest rates deteriorating the investment environment and increasing the credit risk in the real and factoring sectors
- Increasing operating expenses as a percentage of total income pressurizing the profitability growth
- Room for improvement in terms of corporate governance principles