

Corporate Credit & Issue Rating

New Update

Sector: Intermediary Institutions

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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	A- (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A- (Trk)	A-1 (Trk)	
Sponsor Support	2	-		
Stand-Alone	B	-		
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR on April 10, 2020

Tera Yatırım Menkul Değerler A.Ş.

JCR Eurasia Rating evaluated Tera Yatırım Menkul Değerler A.Ş. (Tera Yatırım) and the Current and Planned Debt Instruments in an investment grade category in the periodic annual review and affirmed the ratings on the Long and Short-Term National Scales as “A-(Trk)” and “A-1(Trk)” respectively along with the “Stable” outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been affirmed as ‘BB’.

Established in 1990 under the name of Stok Menkul Değerler, Tera Yatırım adopted its current trade name in 2005 following the change in its shareholder structure and continued its operations as a “Broadly Authorised Intermediary Institution” from January, 2015 onwards. The Company actively provides services in the fields of execution of orders, reception & transmission of orders, dealing on own account, intermediation for public offering (underwriting and best effort) and limited custody services. Tera Yatırım conducts its operations via its headquarters in Istanbul and liaison office in Antalya, having adopted a branchless business model focused on efficiency.

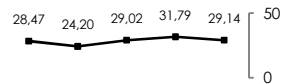
Strengths

- Notable increase in profitability performance throughout 1H2020 supported by rising commission income
- Sound equity level in comparison to non-bank affiliated peers strengthened by paid-capital increase and retention policies
- High asset quality, healthy receivables portfolio backed by collaterals along with lack of non-performing receivables and FX risk
- Satisfactory capital adequacy base and liquidity level, in line with CMB regulations, promising further growth and providing a buffer against incidental losses-sky
- Efficient business model in comparison to sectoral peers with no branches and well controlled opex
- Established track record in the domestic capital markets through successive bill issuances

Constraints

- Competitive pressures inherent in the sector exhibiting high market concentration dominated by bank-affiliated companies
- Underdeveloped domestic capital markets in comparison to the size of GDP despite increasing investor base
- Relatively high operational risk levels due to the nature of the intermediary institutions sector
- Further need for progress in compliance level with Corporate Governance Practices
- Ongoing uncertainties arising from the global Covid-19 pandemic and USA’s presidency elections, pressuring the global economic outlook

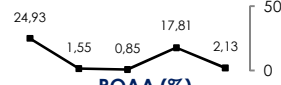
Equity / Total Assets (%)



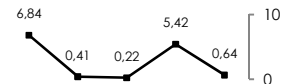
Net Profit Margin (%)



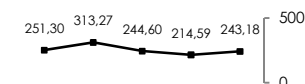
ROAE (%)



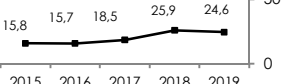
ROAA (%)



Leverage Ratio (%)



NWC / T. Assets (%)



Considering the aforementioned points, the Company’s Long-Term National Rating has been affirmed as “A- (Trk)”. The improvement in the internal equity generation capacity and trends in the indicators of return on equity and assets in comparison to the sector average, the share of equity in the balance sheet composition, the impact of changes in the global risk appetite subject to political/economic developments on the Turkish Capital Markets, the level of financing expenses within the context of falling borrowing costs, the effect of the recovery in economic growth on transaction volumes in the capital markets, trend in equity levels and their adequacy, developments regarding CMB penalties and the progress in the level of compliance with Corporate Governance Practices comprise the major issues that will be monitored in the upcoming period. No separate rating report has been compiled for the issued bills as the resources obtained from the bill issue are carried in the Company’s balance sheet and were subject to analysis in the corporate credit rating report. The bills issued carries no difference in comparison to the Company’s other liabilities with regards to the legal and collateralisation perspective and as such the corporate ratings also reflect the issue rating.

Considering the Company’s position in the financial intermediary institutions sector among non-bank affiliated players long operating track record and the support for the equity level through retention of generated internal resources, it was reached that the qualified shareholders have the willingness to supply long term liquidity and equity to Tera Yatırım should the need arise. Within this scope, the Sponsor Support Grade of the Company has been determined as (2) on JCR Eurasia Rating’s notation scale, indicating an adequate level.

In addition, irrespective of the support provided at the shareholder level, taking into account the business model focused on operating efficiency, growth strategies, rising turn-over and capability to successfully compensate for the reduction FX income as a result of regulation, established customer base, successful completion of bill issuances, risk management practices along with the presence of a skilled management team, the Company is thought to have reached the necessary experience and infrastructure to manage the incurred risks on its balance sheet. Within this regard, the Stand-Alone Grade of Tera Yatırım has been affirmed as (B) on JCR Eurasia Rating’s notation scale, indicating an adequate level.