

Corporate Credit & Issue Rating

New Update

Sector: Asset Management
 Publishing Date: 27/10/2020

Analyst(s)
 Senior Chief Analyst

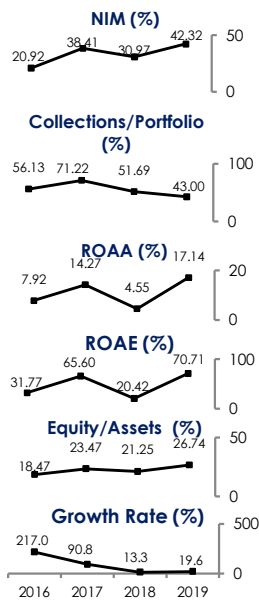
Orkun İnan
 +90 212 352 56 73
orkun.inan@jcrer.com.tr

Assistant Analyst
 Ersin Kılıçkap
 +90 212 352 56 73
ersinkilickap@jcrer.com.tr

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	Stand-Alone	2	-	
	Stand-Alone	B	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Assigned by JCR on April 10, 2020



Sümer Varlık Yönetim A.Ş.

JCR Eurasia Rating, in its periodic review, has evaluated "Sümer Varlık Yönetim A.Ş." and "Potential Bond Issuances" in an investment-level category on the national scale and affirmed the ratings on the Long Term National Scale as 'A- (Trk)' and the Short Term National Scale as 'A-1 (Trk)' with 'Stable' outlooks.

The shareholder structure of Sümer Varlık Yönetim A.Ş., which started its activities in the second quarter of 2015, changed in July 2016 and ASV Holding A.Ş. has become the main shareholder of the Company. ASV Holding was established in 2016 by Mr. Vakkas ALTINBAŞ and Mr. Sofu ALTINBAŞ, who are the main partners of Altınbaş Holding A.Ş., the roots of which dates back to 1950 and has subsidiaries in various fields. Sümer Varlık, which primarily and solely operates by purchasing overdue receivables from banks and other financial institutions and collects the receivables, exhibited a rapid growth beginning from its establishment.

The NPL asset management sector, which is characterized as new in the classification of financial institutions, has a rapid growth trend. With the increase in activities aimed at monitoring the asset quality of the banks, the sector has become more prominent and promises the future. The increasing pressure on the economic conditions within the country, the supply of non-performing loans exhibits an increasing trend where asset management companies find better places on the stage.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Increasing net profit in 2019 that supports equity level
- Increase in the paid-in capital via cash injection in June 2020
- Main shareholder ASV Holding provide strong support
- Presence of a professional senior finance management team with specialized knowledge of the Turkish Financial Sector

Constraints

- Uncertainty on cost funding, emanated from fluctuating macroeconomic conditions
- Steep decline in portfolio sales by the banks that suppresses the sector-wide growth opportunities
- Difficulties in the collections due to unfavorable economy caused by Covid – 19 outbreaks
- Dividend payments restraining equity growth

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed National Local Rating Rating of Sümer Varlık Yönetim A.Ş. as 'A- (Trk)' in the Long Term, which donates an investment grade. The growth path of the Company, equity level, profitability, liquidity indicators and loan projections and composition of resources have been evaluated as important indicators for the stability of the ratings and the outlooks for long- and short-term national ratings are determined as 'Stable'. Sustainability of the Company's profitability performance, changes in market share and equity level together with the trend of new investments are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored. 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 collateralization. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

Sponsor Support grades and risk assessments reflect the financial strength and willingness to support the Company from the main shareholder ASV Holding A.Ş. It is considered that the shareholder has the sufficient propensity to supply long term liquidity or equity to Sümer Varlık Yönetim A.Ş. in case of any need and possess sufficient experience to offer efficient operational support. Therefore, the Company's Sponsor Support rating has been affirmed at '2'.

The Stand-Alone rating is formed depending on the Company's collection rate, equity structure, risk management applications, market shares, growth rates and occurring risks in the business environment. It is assumed that Sümer Varlık Yönetim A.Ş. has enough experience and accumulation of infrastructure to manage risks incurred in the balance sheet without shareholder support, provided that they monitor their existing portfolio positions. In this respect, the Stand-alone rating of Sümer Varlık has been assigned at 'B' in JCR Eurasia Rating notation system.