

Corporate Credit & Issue Rating

New Update

Sector: Factoring

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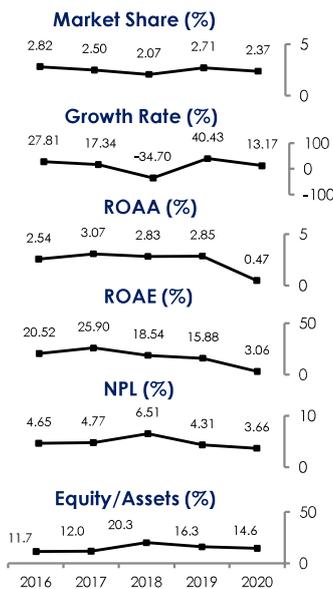
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RATINGS

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

*Assigned by JCR on May 31, 2021



Ulusal Faktoring A.Ş.

JCR Eurasia Rating, has evaluated **Ulusal Faktoring A.Ş.** in investment-level category on the national scale and downgraded the rating on the Long-Term National Scale to **'A+ (Trk)'** from AA- (Trk) with **'Stable'** outlook. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **'BB'** with **'Stable'** outlooks, according to JCR-ER's national-global mapping methodology.

Ulusal Faktoring Anonim Şirketi (referred to as 'the Company' or 'Ulusal Faktoring') is a prominent nonbank 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 (SDİF). 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. 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) through its headquarters in Maslak (Istanbul) and eighteen branches in the cities of Istanbul, Ankara, Bursa, Gaziantep, Kocaeli, Izmir, Antalya, Tekirdağ, Adana, Konya, Denizli, Mersin, Şanlıurfa and Samsun. The Company maintains its operations by staff force of 240 employees as of March 2021 (FYE2020: 223, FYE2019: 212) and the customer base of the Company is 6,390 as of FYE2020. In terms of number of customers, the Company has one of the highest number of customers, including bank-owned factoring companies.

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

Strengths

- Earning assets comprising majority of total assets volume contributing to income generation and asset quality
- Resilience to fluctuations in foreign currency risks due to absence of non-TRY denominated liabilities
- Improvement in the NPL ratio
- Well-diversified portfolio with manageable customer concentration and developing branch network
- Risk focused management and investments in digital IT infrastructure
- Effective use of money market issuances and diversified borrowing profile

Constraints

- Pressure on the global economic outlook and asset quality of lenders due to ongoing uncertainties arising from the global Covid-19 pandemic
- Pressure in profitability indicators in FY2020 depending on decreasing interest margins and relatively high OPEX
- Short term borrowing profile of the sector
- Intensive competitive environment dominated by bank-owned companies which have comparative advantage with low borrowing costs

Considering the aforementioned points, the Company's the Long-Term National Rating has been determined at **'A+ (Trk)'**. Considering Ulusal Faktoring's long business track record and high level of sustainability of activities bolstered by particularly the Company's adequate level of risk appetite, capitalization level, net interest margin level, expected projections and improvement in risk management implementations and the general outlook of the sector as well as, Covid-19 pandemic and geopolitical risks-driven uncertainties; the Company's outlook for Long and Short-Term National ratings has been affirmed as **'Stable'**. Collection performance of the NPLs and profitability indicators as well as market conditions regarding the sector and the negative effects of the Covid-19 pandemic are some of the priority issues to be monitored by JCR Eurasia Rating.

It is considered that the Company's real person shareholders and Pine Bridge Eurasia have the propensity to offer financial support within their financial capability when liquidity needs arise in the short or long-term perspective. In this regard, the Company's Sponsor Support grade has been affirmed as **(2)** on JCR Eurasia Rating's notation scale.

Ulusal Faktoring's 'stand-alone rating' has been determined with regard to the Company's organizational structure, level of capitalization, asset quality, risk management policies, corporate governance practices, market shares, growth rates, profitability ratios and the trends of the existing risks in the markets and the business environment. Within this context, the Stand Alone note of Ulusal Faktoring has been affirmed as **(B)** in the JCR Eurasia Rating notation system.