

Corporate Credit Rating

New Update

Sector: Factoring

Publishing Date: 15.03.2023

Analyst

Ezgi Çiçek Yılmaz
 +90 212 352 56 73

ezgi.yilmaz@jcrer.com.tr

Assistant Analyst

Barbaros Dişci
 +90 212 352 56 73

barbaros.disci@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	AA (tr) (Stable)	J1+(tr) (Stable)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign *	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

Doruk Faktoring Anonim Şirketi

JCR Eurasia Rating, has evaluated the "Doruk Faktoring A.Ş." in the very high investment grade category and revised the Long-Term National Issuer Credit Rating from 'AA- (tr)' to 'AA (tr)' and affirmed the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Negative', same as the country ceiling.

Doruk Faktoring A.Ş. (hereinafter 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 62 employees through three branch network 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.

Doğan Şirketler Grubu Holding A.Ş. (hereinafter referred to as 'Doğan Holding', 'Doğan Group' or 'the Group') is the main controlling shareholder, owning 99.99% of the total shares of the Company and the remaining shares belong to Doğan Holding's subsidiaries as of reporting date. The parent company, Doğan Holding (rated by JCR Eurasia Rating on July 27, 2022 as AAA (tr)/ Stable on the long-term national scale), was established in 1961 by Mr. Aydın Doğan and has been transformed into an investment holding in 1980. The main field of activity of Doğan Holding consists of electricity production, petroleum products retail, industry and trade, automotive trade and marketing, financing and investment, internet and entertainment and real estate investments.

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

Strengths

- Equity to total asset ratio standing above sector averages backed by solid internal equity generation capacity,
- Above sector averages core profitability ratios of returns on assets and equity,
- Diversified funding structure through debt security issuances, providing financial flexibility,
- Strong collateral coverage in a certain extent diminishing the credit risk,
- 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,
- Existence of Doğan Şirketler Grubu Holding A.Ş. as dominant shareholder and the synergy created within the Group,
- Attached importance to risk focused management and to investments in digital IT infrastructure.

Constraints

- Despite improvement, NPL ratios still exceeding the sector averages,
- Need for increasing customer granularity to reduce concentration risk despite improvement in concentration level,
- High competition in the sector dominated by bank-owned factoring companies with wide branch network and lower borrowing costs,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned factors, the Company's the Long-Term National Issuer Credit Rating has been revised from 'AA- (tr)' to 'AA (tr)'. 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, risk management infrastructure supported by internal control systems, experienced management team, internal resource generation capacity, core profitability ratios above sector averages, high provision level, equity quality, the Group's financial and operational support and brand identity have been evaluated as important indicators for the stability of the ratings and the Company's outlook for Long and Short-Term Issuer Credit Ratings has been determined as "Stable". Doruk Faktoring's turnover and asset development, interest margin trend, market share, profitability indicators, capitalization level, funding 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 collection performance of problematic receivables and the Company's NPL level are issues to be monitored by JCR Eurasia Rating.

