

Corporate Credit Rating

New Update

Sector: Factoring

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit 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	-
ISRs (Issue Specific 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 Aug 18, 2022

Ulusal Faktoring Anonim Şirketi

JCR Eurasia Rating has evaluated "Ulusal Faktoring A.Ş." in the investment level category with very high credit quality and revised the Long-Term National Issuer Credit Rating from 'A+ (tr)' to 'AA- (tr)' and affirmed the Short-Term National Issuer Credit Rating at 'J1+ (tr)' whereas the Long-Term National Issuer Credit Rating Outlook of the Company revised from "Positive" to "Stable". On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Ulusal Faktoring Anonim Şirketi (referred to as 'the Company' or 'Ulusal Faktoring') was founded in 1999 to operate in Türkiye Factoring Sector. The Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. In December 2011, the investment company Pine Bridge Eurasia Financial Investment S.a.r.l. purchased its shares (currently 13.47%). In November 2021, shares of the Company were offered to the public and it is traded on the Main Market with the ticker symbol of 'ULUFA' as of reporting date. Currently, 46.82% of the Company shares are public. Ulusal Faktoring organizes its activities through its headquarters located in İstanbul and 32 branches across Türkiye with 342 employees as of FY2023. Moreover, Ulusal Faktoring has 7,448 of active clients as of FY2023 (FY2022: 7,592) which has one of the highest number of customers including bank-owned factoring companies. The Company have no affiliates or subsidiaries in analyzed periods.

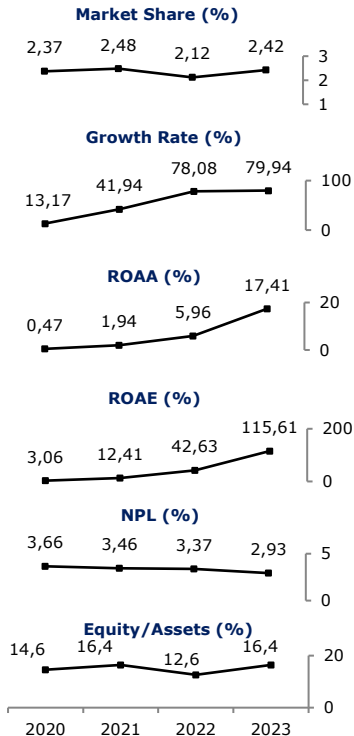
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Remarkable increase in ROAA and ROAE in FY2023, principally supported by notable income growth,
- Equity to total asset ratio standing slightly above sector averages in FY2022 and FY2023,
- Improvement in NPL ratio though exceeding the sector average and collateral structure to a large extent diminishing the credit risk,
- Diversified funding structure through bond issuances,
- Customer granularity with miscellaneous sector variety and strategic branch locations,
- Experienced management team and well-organized operational infrastructure,
- High level of compliance with corporate governance practices supported by sustainability efforts.

Constraints

- Increased financing expenses arising from borrowing costs leading to a negative net interest margin in FY2023, however, high fee and commission income, which was similar to interest income, effectively counterbalances the net interest margin in FY2023,
- Despite improvement in FY2023, operating expenses above the sector average arising from increasing branch network and personnel costs,
- High competition in the sector dominated by bank-owned factoring companies with lower borrowing costs,
- Leading economic indicators signal global economic slowdown coupled with quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side may impact on profitability and NPL ratios.



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been upgraded to 'AA- (tr)'. The Company's market share, slightly improved NPL and equity ratios, indebtedness level, customer structure and operational indicators have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.