



JCR Eurasia Rating has affirmed the credit ratings of Ak Faktoring A.Ş. and “Cash Flows arising from its Bond Issuances” as ‘BBB+ (Trk)’ on the Long Term National Scale; A-2 (Trk) on the Short Term National Scale; and ‘BBB- (Trk)’ on the Long Term International Foreign and Local Currency Scales in the annual periodic review.



Press Release

Istanbul – March 15, 2019

JCR Eurasia Rating has affirmed a Long Term National Credit Rating of “BBB+ (Trk)” and a Short Term National Credit Rating of “A-2 (Trk)” for Ak Faktoring A.Ş. along with “Stable” outlooks on both ratings.

The Factoring Sector was marked by a high level of vulnerability to fluctuations in macroeconomic circumstances in 2018. The increase in non-performing loans, collection difficulties, and increased funding costs mainly resulted from rapid credit volume contraction in the banking sector, where the funding requirements were met to a great extent. The effects of this trend will continue in 2019 and the growth trend of the sector will be limited in terms of both the number of customers and transaction volume. Considering that the main income of factoring companies is from the real sector, the effects of the growth environment supported by the volatility and incentive policies created by the foreign and domestic economic, political, and geopolitical developments in the markets on the factoring sector and the negative impact of high levels of unemployment on the factoring sector along with weakening demand, deserve to be closely monitored. On the other hand, in line with the undertaken reforms, the sector’s legal infrastructure has improved with regards to effective surveillance and control. As such, the mandatory installation of information, risk measurement, and internal control systems have made a positive contribution to the improvement of the sector’s institutional set-up and to the quality, standardization, and transparency of financial reporting practices and facilitated fair competition.

Ak Faktoring was established in 1992 under the name ‘Ak Faktoring Hizmetleri Ticaret Anonim Şirketi’. In 2011, parallel with the change in partnership structure and purchase by Altınbaş Holding, activities were again accelerated. The Company has operated in a sector mainly constituted of bank related institutions since 2012 under the title ‘Ak Faktoring A.Ş.’ and currently maintains activities through a non-branch office structure on a local basis.

In 2018 the non-performing receivables, collection difficulties, rapid credit contraction in the banking sector, rising funding costs and fund supply activities pushed the factoring sector to a great extent and had a restrictive effect on volume growth. In parallel with the general contraction in the sector, the Company maintained its profitability with its above sector net interest margin thanks to its cautious management structure, despite the significant shrinkage in the asset and transaction volume of Ak Faktoring. Although the Company softens the asset quality’s negative impact of the rigid exchange rate movements on the real sector balance sheets and the solvency of the factoring companies through transferring its non-performing receivables to an asset management company, the above sector NPL ratio continues to suppress asset quality. On the other hand, the short-term funding structure, the pressure of increased borrowing costs on the Company’s financing costs, and further downward acceleration of the number of already limited customers in line with the decreasing transaction volume continue to serve as stressing factors on the Company’s long and short-term notes. In addition, the growth in the number of customers in the competitive market, improvements in receivable portfolio granularity to reduce the concentration exposure, asset and turnover development, continued effects of economic and political turbulence and tensions on the real sector’s asset quality, exchange rate movements and high interest rates on asset quality of the customer portfolio, and the NPL level are issues that will be kept under review by JCR Eurasia Rating in the following periods.

On the other hand, factors such as the above sector averages equity level; protected net profit margin and profitability despite increasing borrowing costs in line with market conditions; the effect of asset sales on the NPL and the balance sheet; short-term structure of the factoring receivables; re-organized professional management team and experienced shareholder structure; Group financial and operational support; high probability of realization of the Company’s future growth plan; and generation of internal resources and cash flows to meet interest expenses are support the affirmation of the Company’s Long and Short Term Outlook as ‘Stable’ and Long Term National Grade as ‘BBB+ (Trk)’. 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 collateralisation. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

On the other hand, it is considered that the major controlling legal entity shareholder, Altınbaş Holding A.Ş., along with real person shareholders, the Altınbaş Family, have the willingness and experience to ensure long term liquidity and equity within their financial capability when required and to provide efficient operational support to Ak Faktoring A.Ş. Therefore, the Company’s Sponsor Support grade has been affirmed as (2) in JCR Eurasia Rating’s notation.

Besides, taking into account the current risks in the markets and operating environment as well as the Company’s projected increase in market efficiency through an increasing customer base and reduced concentration risk, settled internal control system, strong collateral level, and experienced management staff, are of the opinion that Ak Faktoring A.Ş. has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholder, provided that the effective risk management practices are sustained.

For more information regarding the rating results, you may visit our internet site <http://www.jcrer.com.tr> or contact our analyst Mrs. Merve Hayat.

JCR EURASIA RATING
Administrative Board

RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	Negative	Negative
	Issue Rating	n.a	n.a
National	National Rating	BBB+(Trk)	A-2(Trk)
	Outlook	Stable	Stable
	Issue Rating	BBB+(Trk)	A-2(Trk)
Sponsor Support	2	-	
Stand Alone	B	-	

Sector: Factoring
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