

“ JCR Eurasia Rating, upgraded Ekspo Faktoring A.Ş.’s Long Term National Rating to ‘A+ (Trk)’ from ‘A (Trk)’ and affirmed Short Term National Rating as ‘A-1 (Trk)’, respectively with ‘Stable’ outlooks on both ratings. ”

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	A+ (Trk)	A-1 (Trk)
	Outlook	Stable	Stable
	Issue Rating	A+ (Trk)	A-1 (Trk)
	Sponsor Support	2	-
	Stand Alone	B	-

Sector: Factoring
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Press Release

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JCR Eurasia Rating, assigned Ekspo Faktoring A.Ş. Long Term National Credit Rating of ‘A (Trk)’ and Short Term National Credit Rating of ‘A-1 (Trk)’ with ‘Stable’ outlooks on both ratings. The Long Term International Foreign and Local Currency Ratings are affirmed as ‘BBB-’, on par with the country ceiling.

The Factoring Sector was marked by a high level of sensitivity 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 could continue in 2019 and the growth trend of the sector could 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.

Ekspo Faktoring has an operational history of approximately 20 years with a relatively stable market share. The Company offers factoring, foreign trade financing, payment guarantee services via its head office based in Istanbul. In addition to traditional factoring services, Ekspo, owned by the Tümay Family which has been operating in the finance sector for many years, provides intermediation of foreign trade financial transactions of local firms through its correspondent network.

Ekspo Faktoring continues its core business as providing funding to large-scale firms and other factoring institutions, in addition to financing international trade transactions. As a result of the significant headwinds experienced in Turkey particularly following sharp currency movements in August 2018 and onwards, albeit stabilizing to a certain extent, and subsequently increasing interest rates, the risk appetite of the Company has fallen, mirroring the Sector sentiment. In this sense, the loan book of the Company declined, as Ekspo prioritized asset quality over growth. Net interest margin maintains its wide band, with benefiting from lower borrowing costs and healthy lending rates. Internal resources generated via strong profitability coupled with a lower loan book supported Ekspo Faktoring’s already high capital base with the Company’s leverage falling considerably. The customer and receivable originator concentration are high, however the Ekspo Faktoring balances the gross risk with thorough analysis and dealing with a select customer portfolio.

Ekspo’s strong capitalization, sound asset quality, healthy interest margins, widespread product and service portfolio, established corporate governance structure, effective cost management forms the basis of the upgrade of the Long Term National rating assigned as ‘A+ (Trk)’, from ‘A (Trk)’. JCR-ER will continue to monitor Ekspo’s asset quality, interest margin, customer concentration in the upcoming periods.

Sponsor Support, indicating the ability and willingness of the shareholders of Ekspo to provide operational and financial support to the company is determined as (2) indicating ‘Adequate’ level, accounting for the experience and financial strength of Tümay Family, primary shareholders of the company. Stand Alone Rating, expressing the ability of the firm to fulfill the obligations without resorting to shareholder support is determined as (B) by taking into account its equity and profitability ratios, sufficient interest margin and ample borrowing lines.

No separate rating report has been compiled as the resources to be obtained from a potential bond issue will be carried in the Company’s balance sheet and has been subject to analysis in the corporate credit rating report. In case of an issuance, the debt instrument 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. Issue ratings are assigned for both outstanding and prospective debt instruments and incorporate assessments until their maturities.

For more information regarding the rating results, you may visit our internet site <http://www.jcrer.com.tr> or contact our analysts **Mr. Özgür Fuad ENGİN, CFA**.

JCR EURASIA RATING
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