

“ JCR Eurasia Rating, affirmed Ekspo Faktoring A.Ş.'s Long Term National Rating as 'A+ (Trk)/Stable' and Long Term International LC & FC Ratings as 'BBB-/Negative'. ”

RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	Neg.	Neg.
	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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JCR Eurasia Rating, affirmed the **Long Term National Credit Rating of Ekspo Faktoring A.Ş.** as '**A+ (Trk)**' and **Long Term International Foreign and Local Currency Ratings** as '**BBB-**' within the scope of periodic review. The outlook on the National Rating is 'Stable' and the International FC & LC Ratings have 'Negative' outlooks, reflecting the sovereign credit rating of Republic of Turkey.

Ekspo Faktoring is an established factoring institution with more than 20 years of operational track record. The Company offers factoring, foreign trade financing, payment guarantee services via its head office based in Istanbul. **Ekspo Faktoring** offers financing services to large-scale companies and other factoring institutions searching funding. Additionally, Ekspo is active in trade finance whereby the Company facilitates its international network of export and import agencies and other financial institutions. The primary shareholder of the Company is Tümay Family. All of the shareholders of the Company are experienced in the finance sector.

Sharp movements in the interest rates both by the market and Central Bank of Republic of Turkey (CBRT) resulted in a similar movement in the margins, resulting in a dynamic adjustment of the margins with incremental tightening throughout the rest of the year. As such, significantly low leverage of Ekspo, supported with high earnings retention rate, allows Ekspo to manage economic headwinds manifested in tighter margins and pressured asset quality. While the customer and receivable originator concentration are high and therefore the Company is exposed to single-party credit risk, Ekspo Faktoring diversifies the ultimate risk via smaller-ticket receivables collateralizing the loan and thorough analysis of the borrowers.

Considerable capital base of the Company, resilient profitability and cash flow indicators, healthy interest margins, diversified product and service portfolio, comprehensive corporate governance structure are the main drivers of the Long Term National rating affirmed as '**A+ (Trk)**'. The Company's Long and Short-term outlooks are determined as '**Stable**', until the effects of the coronavirus epidemic on the global and local economy are ascertained and lockdown measures are revoked globally. Sustainability of the Company's profitability performance, operational efficiency, and low leverage level together with the trend of NPL ratio are to be monitored by **JCR Eurasia Rating**.

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.

The Factoring Sector is highly dynamic with respect to its responsiveness to the market conditions. Short lending and borrowing terms, typically around 3 months in loans underwritten and slightly larger for funds borrowed and up to 1 year mostly indicate rapid repositioning of the system. 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 flipside, control systems, centralized information network, integration of receivable documentation records with the financial system support the Sector's operational risk management. Given the strong downside risks stemming from global recession concerns and impact of the pandemic, we maintain a conservative outlook with respect to revenue generation and asset quality across the Sector.

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 analyst **Mr. Özgür Fuad ENGİN, CFA**.

JCR EURASIA RATING
General Manager