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**JCR
Eurasia Rating,**

affirmed

**Çağdaş Faktoring
A.Ş.'s and the
Outstanding Bill
Issuance's**

Long and Short Term
National Ratings of
'A (Trk)' and

'A-1 (Trk)',
respectively with
"Stable" outlooks on
both ratings.

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RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	Stable	Stable
	Issue Rating	n.a	n.a
National	National Rating	A	A-1
	Outlook	Stable	Stable
	Issue Rating	A	A-1
Sponsor Support		2	-
Stand Alone		B	-

Sector: Factoring
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Press Release

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JCR Eurasia Rating, affirmed **Çağdaş Faktoring A.Ş.** and its **Bill Issuance** a **Long Term National Credit Rating** of **"A (Trk)"** and **Short Term National Credit Rating** of **"A-1 (Trk)"** and the **"Stable"** outlooks on both ratings, following the credit rating revision.

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.

Having begun its operations in 1994, Çağdaş Faktoring currently operates with 13 branches in Turkey and its head office in Istanbul. The Company has an experienced financial sector history considering the track record of its shareholders and senior management staff.

The Company maintains its business strategy as to build a widespread loan portfolio and integrate a broad intelligence network into credit allocation processes, achieving low credit balance per transaction. In the period of uncertainty after the second half of 2018, parallel with the sector in general which reduced the turnover, the Company focused on maintaining the quality of the loan portfolio and access to financing channels. In addition to falling leverage ratios following decreasing business volume, the ratio of operating expenses to average receivables balance increased slightly. On the other hand, the preservation of interest margin to a certain extent and commission income contributed to the improvement of profitability.

Determining the maturity structure of the funding in accordance with the dynamics of the loan portfolio, Çağdaş Faktoring regularly monitors its liquidity needs. On the other hand, fixed assets on the balance sheet and above the sector averages create some opportunity costs.

Çağdaş Faktoring's credit portfolio, which has been allocated to a wide-spread customer base along with low average balance per borrower, a reasonable level of asset quality, corporate governance structure, coupled with pressurized economic environment and developments that narrow down the margin of interest are the main pillars of the Company's and the Current Bond Issuance's Long Term National Rating affirmed as **"A (Trk)"**. **JCR-ER** will continue to monitor the asset growth, turnover, funding structure and the course of the interest margin of Çağdaş Faktoring.

Considering the experience and competencies of Gülmezgil Family, primary shareholders of the company, in the financial sector, 'Sponsor Support Grade' indicating the ability and willingness of the shareholders of Çağdaş to provide operational and financial support to the company is determined as **(2)** indicating 'Adequate' level. 'Stand Alone Rating', expressing the ability of the firm to fulfil 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.

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
Administrative Board