JCR-ER JCR Eurasia Rating

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JCR
Eurasia Rating,

has reviewed and affirmed the credit rating and outlook of

Kent Faktoring A.Ş. as **‘A- (Trk)’, ‘A-1 (Trk)’** and affirmed the Outlook as **‘Positive’ on the** Long and Short Term National Scale,

and affirmed as **‘BB’** on the Long Term International Scale.

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RATINGS

			Long	Short
International	Foreign Currency		BB	B
	Local Currency		BB	B
	Outlook	FC	Negative	Negative
		LC	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, as per the periodic review, affirmed the Long and Short Term Credit Ratings of **Kent Faktoring A.Ş.** as **‘A- (Trk)’** & **‘A-1 (Trk)’** and its Outlook as **‘Positive’.** Long Term International Rating is affirmed as **‘BB’.**

Based in Istanbul, **Kent Faktoring** provides receivable financing to domestic firms for more than 20 years. In 2019, the Company joined FCI as a member and commenced offering international trade finance with its partners. Kent Faktoring’s business model comprises of underwriting to large-scale companies after a thorough credit analysis. As a Süzer Group company, Kent Faktoring has a strong and experienced partnership structure.

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. Still, Kent Faktoring’s net interest income exceeded its previous year level in nominal terms owing to resilient loan origination and spread management. Provision expenses for impaired loans were low, supported by the recovery after the currency shock and resuming of credit lines by the banking sector. While the leverage increased in tandem with increasing loan book size, it still compares favourably vis-à-vis the Sector and is considered as a positive factor.

Kent Faktoring's resilient net interest margin, high provision coverage, experienced management team and strong shareholding structure, along with global and domestic macro uncertainties, pressure on the tightening margins, and strong competitive forces are the main pillars of the Long Term National Rating affirmed as **‘A- (Trk)’. JCR-ER** will continue to monitor Kent Faktoring and the Sector with respect to trend of interest margins, asset quality, turnover level and funding structure.

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. Issue ratings are assigned for both outstanding and prospective debt instruments and incorporate assessments until their maturities.

The Sponsor Support Rating of the Company, indicating the ability and willingness of shareholders to provide operational and financial support to the Company is determined as **(2)**, denoting and adequate level, considering the operating history of the Süzer Group, which is the sole shareholder of Kent Factoring, the company's return on equity, the internal resources retained within the company, and the capital support realized in the past periods. The Stand- Alone Rating Scale, which measures the capacity of the Company to meet its obligations with its internal resources regardless of external support, has been confirmed as **(B),** denoting an adequate level, due to Kent Faktoring's interest margin, liquidity and maturity structure and internal resources assessment policy.

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.

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
Genel Müdür