



06 December 2022

### Credit Rating

Long-term (National):

**(TR) AA**

Outlook:

**Stable**

Short-term (National):

**(TR) A1+**

Outlook:

**Stable**

Expiry Date:

06 December 2023

### TEB Faktoring A.Ş.

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## TEB Faktoring A.Ş.

### Rating Summary

TEB Faktoring A.Ş. ("the Company", "TEB Faktoring") was established in June 1997 to provide domestic, import and export factoring services to industrial and commercial institutions.

The Company is engaged in offering all factoring services related to domestic and international commercial transactions as well as providing consultancy, accounting and similar services.

The ultimate controlling shareholder of the Company is Türk Ekonomi Bankası A.Ş., whereas the directly or indirectly controlling shareholder of Türk Ekonomi Bankası A.Ş. is TEB Holding A.Ş.. BNP Paribas holds 50% of TEB Holding shares, Çolakoğlu Group owning the other 50%.

Being a member of FCI (Factors Chain International), the world's largest factoring chain, the Company was granted the "Best Export Factor" award 7 times by the FCI. In addition to its headquarters in Istanbul, the Company provides services with 105 personnel in 15 branches as of June 2022.

In addition to the market position of the brand it represents in the factoring industry as well as its financial performance, its corporate structure as a Türk Ekonomi Bankası A.Ş. subsidiary and its level of risk management, TEB Faktoring's previous rating of long-term (National) **AA** and the short-term rating (National) of **A1+** is hereby reconfirmed.

Previous Rating (December 6, 2021):

Long Term: (TR) AA

Short Term: (TR) A1+

### Outlook

Export factoring services, which constitute 50.7% of the Company's factoring receivables as of June 2022, include mainly textile and leather, metal products, forestry products, plastic and rubber sectors. In addition, it provides domestic factoring and related services to many segments such as finance and insurance, construction, food-beverage, tobacco, chemical products, electricity-gas-water, wholesale and retail trade, etc.

As of the end of the 2<sup>nd</sup> quarter of 2022, the operating income increased by 117.4%, financing expenses by 100.0% and gross profit increased by 161.2% compared to the same period of the previous year, reaching TL 130.7 million (2021 Q2: TL 50.0 million). The Company's net factoring receivables reached TL 6.4 billion by the end of the Q2 of 2022, an increase of 116.6% compared to the same period of the previous year (2021 Q2: TL 3.0 billion). TEB Faktoring's share in the industry's total factoring receivables is 8.0% as of the 2<sup>nd</sup> quarter of 2022 (2021 Q2: 6.3%).

The Company grew by 57.6% while the factoring sector grew by 34.4% in 2021 compared to the previous year in terms of transaction volume, as a result of which its share in the sector increased to 7.9% (2020: 6.7%).

As of the end of 2021, the industry's NPL (Non-performing loans)<sup>1</sup> average was 2.8% (2020: 3.9%). Within the same period, the Company's NPL ratio was recorded as 0.6% (2020: 0.7%), following a highly positive performance compared to the industry average. At the end of the 2<sup>nd</sup> quarter of 2022, the Company maintained its NPL ratio of 0.6%, while that of the industry was 2.2%.

<sup>1</sup> NPL ratio:  $\frac{\text{Non-performing Loans}}{\text{Loans Receivable} + \text{Non-performing Loans}}$

The Company's financial resources diversity and limits are sufficient, and an effective risk and asset-liability management is in place. In international factoring transactions, the Two-factor system is used where the buyer's default risk can be avoided thanks to the foreign correspondent guarantee. Extensive marketing channels and an advanced intelligence network are the other strengths of the Company. With the synergy of Türk Ekonomi Bankası and the BNP group, the Company possess ample means of financial opportunities in foreign markets. In addition, it takes measures against currency risk by borrowing in the same currency and maturity in return for the loans provided. The Company has a balanced customer segmentation, classified as corporate customers, digital channels, SMEs and exporting companies (SME and Corporate).

In addition to all these factors, the Company's outlook has been determined as "Stable", taking into account its ability to access finance and the strong shareholder structure.

## Methodology

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SAHA's credit rating methodology is composed of quantitative and qualitative sections to affect the final note with specific weights. Quantitative analysis components consist Company's performance compared to the sector, analysis of the financial risks, and the assessment of cash flow projections. Default point analysis measures the distance from the point of default and it is based on relevant sector firms' past financial performances, ratios derived from a distinctive default statistics, and statistically derived coefficients. This analysis is based on genuine statistical study of SAHA, covering companies in Turkey. Comparative performance analysis of the sector determines the position of the company concerned in comparison with the sector firms' recent financial performances. Financial risk analysis covers the evaluation of the company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis tackles the company's future base and stress scenario projections subject to scrutiny in the context of the firm's financing tool and assesses the risks of fulfillment of obligations.

Qualitative analysis covers operational issues such as sector and company risks as well as administrative risks in the context of corporate governance practices. Sector analysis evaluates the nature and rate of growth of the sector, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. Company analysis discusses market share and efficiency, growth trend, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and reputation of main partners.

Corporate governance plays an important role in our methodology. Our methodology consists of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at [www.saharating.com](http://www.saharating.com).

## Rating Definitions

Our long-term credit ratings reflect our present opinion regarding the mid to long term period of one year and above; Our short-term credit ratings reflects our opinion regarding a period of one year. Our long-term credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered “investment worthy” by the market.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

## Disclaimer

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