

CREDIT RATING REPORT

DATE: 20.05.2022

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ISUER: İŞ FAKTORİNG A.Ş.

İSSUE: -

CORE BUSINESS

FACTORING

NEW:

☐

UPDATE:

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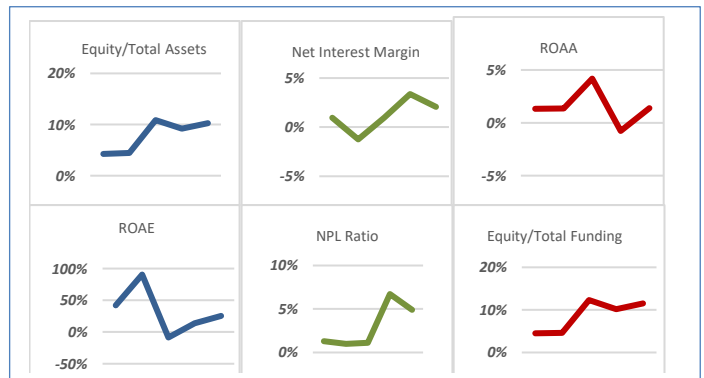
İŞ FAKTORİNG A.Ş. İş Kuleleri, Kule 1 Kat:10 34330 Levent / İstanbul Tel: (0212) 317 00 99 www.isfaktoring.com.tr	RATINGS*					
	ISSUER RATING		OUTLOOK	ISSUE RATING		OUTLOOK
	LONG TERM	SHORT TERM		LONG TERM	SHORT TERM	
INTERNATIONAL FOREIGN CURRENCY	-	-	-			
INTERNATIONAL LOCAL CURRENCY	-	-	-			
NATIONAL RATING	TR AA-	TR A-1	Stable			
	TR AA-	TR A-1	Stable			

*Previous ratings are at the bottom right of the cells. **NR:** Not rated by DRC RATING. **Outlook:** Positive, Negative, Stable, Developing.

SUMMARY: İş Faktoring A.Ş.(hereafter İş Faktoring or the Company) ratings have been affirmed with a **long-term national credit rating of TR AA- a short-term national credit rating of TR A-1 and outlook Stable**. The credit ratings reflect our opinion in the increase of Company's factoring receivables, support provided by the indirect parent company İş Bankası A.Ş., diversified funding sources and factoring products and services, increasing market share in the sector, being the second factoring company in terms of equity in the sector, decreasing NPL ratio, increase in net profit for the period and re-increase the risk of high concentrations. The negative impact of NPLs on İş Faktoring's financial statements, which increased in 2019 due to the insolvency of a customer in the corporate segment, continues with a decreasing trend. Being a factoring company operating with equity and return on assets below the peer group average and increased risk of high concentrations puts pressure on credit ratings. The increase in market interest rates due to the negativities in macroeconomic parameters, will increase the Company's net factoring interest margin, as in the factoring sector. The success of the objectives of increasing the export factoring operations on which the Company's growth strategy is based and expanding its SME and commercial customer base will depend on the vitality of commercial activities and the fluctuations in the value of ₺ against foreign currencies.

Key Financial Data (Million ₺)

	2017	2018	2019	2020	2021
Total Assets	4,268	2,771	3,265	4,645	6,950
Factoring Receivables (Net)	4,205	2,730	3,160	4,417	6,672
Financial Liabilities	4,066	2,446	2,953	4,146	6,266
Equity	189	301	300	477	635
Non Performing Loans (NPL)	42	31	228	227	223
Net Profit	50	147	-23	55	121





İstanbul, May 20th 2021

Financial Data

December 31st, 2021

(Million ₺)

Total Assets	6,949.7
Fact. Receivables (Gross)	6,895.4
Equity	634.5
Income from Fact. Operation	649.0
Tot. Financial Liabilities	6,265.6
Net Profit/Loss	121.4

Financial Ratios

ROAA (%)	2.1
ROAE (%)	25.3
NPL/Gross Fact. Receive. (%)	3.2
Equity/Total Assets (%)	9.1
Net Fact. Interest Margin (%)	2.9

Ratings Rationale, Outlook and Important Factors for the Future:

The credit ratings reflect our opinion in the increase of Company's factoring receivables, support provided by the indirect parent company İş Bankası A.Ş., diversified funding sources and factoring products and services, increasing market share in the sector, being the second factoring company in terms of equity in the sector, decreasing NPL ratio, increase in net profit for the period and re-increase the risk of high concentrations.

The negative impact of NPLs on İş Faktoring's financial statements, which increased in 2019 due to the insolvency of a customer in the corporate segment, continues with a decreasing trend. Being a factoring company operating with equity and return on assets below the peer group¹ average and increased risk of high concentrations puts pressure on credit ratings. The increase in market interest rates due to the negativities in macroeconomic parameters, will increase the Company's net factoring interest margin, as in the factoring sector. The success of the objectives of increasing the export factoring operations on which the Company's growth strategy is based and expanding its SME and commercial customer base will depend on the vitality of commercial activities and the fluctuations in the value of ₺ against foreign currencies.

DRC RATING has determined the outlook of İş Faktoring's National Long-Term Rating as “**Stable**”. Increase in the value of the İş Yatırım Menkul Değerler A.Ş. shares owned by the Company which traded in the stock exchange positively affects

the liquidity ratios. Also the main factoring software project to be implemented this year, low collection risks of corporate company customers though it increases the risk of concentration, financial leverage ratio above industry average and although it has decreased, the maturity mismatch between the ongoing factoring receivables and the loans used have been taken into consideration and positive/negative factors have been evaluated.

In terms of net factoring receivables, which increased by 51% to ₺6.672 million by the end of 2021; İş Faktoring's market share in the sector increased from 9.9% to 11.2%, and its market share within the peer group increased from 18.5% to 20.1%. Net factoring operating income increased by 4.5 times in 2021 compared to the previous year and reached ₺99.5 million. The increase in the use of bank loans and the issued financing bills in parallel with factoring transactions raised the Company's financing expenses by 91.5% to 482 million ₺ in 2021. The net profit for the period, which was ₺55.3 million at the end of 2020, was ₺121.4 million at the end of 2021. As of December 31, 2021, the unconsolidated total assets of İş Bankası, the indirect parent company of İş Faktoring, increased by 56% to ₺926.6 billion, equity went up 28.1% to ₺86.8 billion, loans increased by 42.9% to ₺493.4 billion and deposits increased by 61.5% to ₺595.6 billion.

Key factors to consider for the future change in rating and outlook are:

Positive

- Growth of factoring operating income,
- Increasing ROAA and ROAE,
- Reducing the collection risk by expanding the customer base of technological infrastructure projects,
- Issue of debt instruments with longer maturities than bank loans,

Negative:

- Additional restrictions to be imposed by the regulatory authority on foreign currency purchase-sales and transfers,
- Contraction in commercial activities due to deteriorating macroeconomic indicators,
- Customers in the corporate company segment have difficulty in repayment,
- Continuing to increase the risk of concentration,

¹ Garanti Faktoring, Halk Faktoring, QNB Finans Faktoring, TEB Faktoring, Vakıf Faktoring and Yapı Kredi Faktoring have been chosen as peer group.



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