

Corporate Credit & Issue Rating

☐ New ☒ Update

Sector: Intermediary Institutions
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RATINGS

		Long Term	Short Term
National	Local Rating	AA+ (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	AA+ (Trk)	A-1+ (Trk)
International	Foreign Currency	BB+	B
	Local Currency	BB+	B
	Outlook	FC Negative LC Negative	Negative
Sovereign*	Sponsor Support	2	-
	Stand-Alone	AB	-
	Foreign Currency	BB+	-
Sovereign*	Local Currency	BB+	-
	Outlook	FC Negative LC Negative	-

*Assigned by JCR on April 10, 2020

Gedik Yatırım Menkul Değerler A.Ş.

JCR Eurasia Rating, in its periodic review, has evaluated Gedik Yatırım Menkul Değerler A.Ş. at investment-level category on the national scales, and upgraded the ratings on the Long Term National Scale to **'AA+ (Trk)'** from **'AA (Trk)'** and affirmed the Short Term National Scale as **'A-1+ (Trk)'** with **'Stable'** outlooks. The Company's Long Term International Local and Foreign Currency Ratings are assigned as **'BB+'**, the same as that of the sovereign ratings of the Republic of Turkey.

Gedik Yatırım Menkul Değerler A.Ş. (hereinafter referred to as 'Gedik Yatırım' or 'the Company') was established in 1991 to operate in the capital markets. Gedik Yatırım underwent an IPO on 29 July 2010 and is currently trading on the Borsa Istanbul (BIST) Main market under the ticker "GEDIK". As a "broadly authorized intermediary institution", Gedik Yatırım offers services in Asset Management, Investment Consultancy, Execution of Orders, Dealing on Own Account, Intermediation for Public Offerings (underwriting and best effort) and Limited Custody activities. Gedik Yatırım operates in the Equity, Debt Securities and Derivatives (VIOP) Markets in the BIST. As of FYE2020, when the publicly traded and non-public shares are considered together, Inveo Yatırım Holding A.Ş., Mr. Erhan TOPAÇ and Mr. Hakkı GEDİK hold 43.04%, 21.82% and 20.13% of shares, respectively. The remaining 15.01% is belong to numerous other investors. Mr. Erhan TOPAÇ holds 81.48% shares of Inveo Yatırım Holding A.Ş. and controls 56.89% of the Company. Gedik Yatırım is at the forefront in the market among non-bank owned intermediary institutions with respect to customer numbers, branch network and equity trading volumes.

The Company ranked 1st amongst non-bank owned intermediary institutions and 3rd among all intermediary institutions regarding equity trading volume with a 6.12% (FYE2019: 7.31%) market share (together with the share of its subsidiary Marbaş) as of Q3 FYE2020. Gedik Yatırım and its subsidiaries employed a staff force of 447 (FYE2019: 400) and carried out its operations with a total network of 48 branches (including 7 branches of Marbaş) at FYE2020.

Strengths

- Continuity of improvement in net profit and core profitability indicators, such as ROAA and ROAE in particular
- Sound capital structure accordant with the legislative regulations and equity level providing solid buffer against incidental losses
- Appropriate liquidity management approach in line with the CMB parameters
- Largest branch network among non-bank owned intermediary firms and significant emphasis on technological innovation
- High asset quality evidenced by immaterial NPLs and healthy receivables portfolio
- Funding diversity through effective utilization of bond issuances

Constraints

- Intensity of competition throughout the sector
- Higher operating expenses to gross profit ratio than the sector average, though it remains within reasonable boundaries considering the wide branch network
- Pressure on both the financial and non-financial sectors due to macro uncertainties and global recession concerns

Considering the aforementioned points, the Company's Long-Term National Rating has been upgraded to **'AA+ (Trk)'** from **'AA (Trk)'**. The Company's notable increasing profitability performance in the last four consecutive years, supporting market conditions, net profit well-above FY2020 projection, strengthening equity via share capital increase in the current period and continuing sufficient liquidity level and sound capital structure have been evaluated as important indicators for **'Stable'** outlooks of long and short-term national ratings. In addition to local and global financial conditions and risk appetite, profitability and internal equity generation capacity, liquidity profile, market position and cost management practices are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period. No separate rating report has been compiled for the issued bills as the resources obtained from the bill issue are carried in the Company's balance sheet and were subject to analysis in the corporate credit rating report. The bills issued carries no difference in comparison to the Company's other liabilities with regards to the legal and collateralisation perspective and as such the corporate ratings also reflect the issue rating.

The sponsor support note of Gedik Yatırım has been affirmed as **(2)** considering the financial strength, capacity and willingness of the shareholders to lend assistance in terms of long-term liquidity and equity when required. We, as JCR Eurasia Rating, believe that Gedik Yatırım has the sufficient experience and facilities to manage the obligations without any assistance from its shareholders, taking into consideration the Company's internal resources generating capacity, broad experience in intermediary institutions sector, improving equity level, accessing capability to funding sources and risk management practices. In the light of such remarks, the Stand Alone note of Gedik Yatırım has been determined as **(AB)** on JCR Eurasia Rating's notation scale, denoting a high level of capacity to honor its financial commitments.

