

Corporate Credit Rating

New Update

Sector: Factoring

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA- (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	National ISR	AA-	J1+
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

Doruk Faktoring A.Ş.

JCR Eurasia Rating, has evaluated the "Doruk Faktoring A.Ş." in the investment level category and affirmed the Long-Term National Issuer Credit Rating at 'AA- (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Doruk Faktoring Anonim Şirketi (referred to as 'the Company' or 'Doruk Faktoring') has operated in the Turkish Factoring sector since 1999 as a non-bank owned factoring company. The Turkish Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. The Company has distinguished itself from other factoring companies in the sector with its experience and knowledge gained through collection services provided to the media and advertising sector. After the sale of Doğan Media Group, the Company continues its activities in this arm. The Company sustains its cautious growth on a local basis with its 57 employees through three branch net-work within the structure. In addition to collection services, the Company expands its field of activities by controlling accounting, legal conformity, law, and financing services and provides the financing needs of non-Group companies with both its own resources and funds obtained from external sources.

The parent company, Doğan Şirketler Grubu Holding A.Ş. (rated by JCR Eurasia Rating on July 14, 2021 as AAA(Trk)/Stable on the long term national scale), has roots dating back to 1959 in the fields of media, energy, retail, industry, automotive and real estate marketing, tourism, and financial services and holds 100% of shares in the Company.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Increasing and above sector averages equity level backed by solid internal equity generation capacity
- Above sector averages core profitability ratios of returns on assets and equity and profit margin
- Strong collateral coverage diminishing the credit risk
- Established know-how in media sector and segregated Company position through intermediary role in the collection of advertising receivables as a factoring service from companies operating in the media sector
- Existence of Doğan Holding as dominant shareholder and the synergies created within the Group
- Diversified borrowing profile through debt security issuances contributing
- Risk focused structure and investments in IT

Constraints

- Above sector averages NPL ratio though provided full provision coverage of impaired loans despite improvement in 2021
- Need for customer granularity increase to minimize concentration risk despite improvement in concentration level
- High competition in the Sector dominated by bank-owned factoring companies with wide branch network and lower borrowing costs
- The geopolitical risks stemming from the Russia-Ukraine tension weakening the risk appetite

Considering the aforementioned factors, the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'AA- (tr)'. The distinguished position from other factoring companies in the sector with its experience and knowledge gained through collection services provided to the media and advertising sector; softening the pressure on increasing NPL through effective internal control mechanisms and risk management infrastructure supported by internal control systems; high provision level; experienced and structured management team; despite a slight drop, the contribution of above sector averages interest margin on income; sustainable cash flows and internal resource production capacity; above sector equity level and keeping a substantial portion of its profits under its profit reserves despite its dividend distribution increasing equity quality; Group's financial and operational support and brand identity; above sector averages assets and equity returns; and generation of internal resources and cash flows to meet interest expenses together are the factors that taking into account in the determining of Long and Short Term Notes of Company with 'Stable' outlook. On the other hand, Doruk Faktoring's turnover and asset development, interest margin trend, market share, profit margin, capitalization level, maturity and indebtedness structure, the growth in the number of customers in the competitive market, improvements in receivable portfolio granularity to reduce the concentration exposure, the general outlook of the sector collection performance of problematic receivables and the NPL level are issues to be monitored by JCR Eurasia Rating.

