

Lider Faktoring Hizmetleri A.S.

Update

Ratings

National

Long-Term Rating BBB+(tur)

Sovereign Risk

Foreign-Currency Long-Term IDR BB+
Local-Currency Long-Term IDR BB+

Outlooks

National Long-Term Rating Stable
Sovereign Foreign-Currency Long-Term IDR Stable
Sovereign Local-Currency Long-Term IDR Stable

Financial Data

Lider Faktoring Hizmetleri A.S.

	31 Dec 11	31 Dec 10
Total assets (USDm)	262	239
Total assets (TRYm)	501	368
Total equity (TRYm)	69	56
Operating profit (TRYm)	12	5
Published net income (TRYm)	9	4
Comprehensive income (TRYm)	13	5
Operating ROAA (%)	2.9	1.6
Operating ROAE (%)	18.9	10.0
Internal capital generation (%)	13.7	7.9

Key Rating Drivers

Good Competitive Position: Lider Faktoring Hizmetleri A.S.'s (Lider) relative standing among peers is supported by the availability of stable long-term funding, a wider distribution network leading to factoring receivables that are well diversified by seller, buyer, industrial sector and geographical area, and good corporate governance standards.

The company focuses on financing manufacturing companies, particularly SMEs that produce intermediary goods for large manufacturers in Turkey. Lider continued expansion of its network in 2011, providing an improved base for a well-diversified portfolio.

Improved Profitability: Lider's factoring receivables grew by a strong 31% in 2011, much more than the sector average of 11%, in contrast to the previous year. Improvements in profitability were helped by strong business volume growth, better efficiency, and stronger contribution of fees and commissions. This balanced the impact of growing loan impairment charges. A possible increase in market interest rates would support profitability due to positive interest repricing gaps between assets and liabilities.

High Cost Base: Although the company's efficiency and cost base improved in 2011 due to cost controls and volume growth, the cost base is still higher than for some peers. This reflects Lider's focus on labour-intensive smaller-ticket business and constrains pre-impairment operating profit.

Improving Asset Quality: Asset quality continued to improve in 2011 and remained better than the Turkish factoring segment average. Lider maintains 100% reserve coverage for impaired receivables. Its well-diversified receivables portfolio in terms of sellers, buyers and industrial sectors supports asset quality.

Diversified Funding Base: Availability of stable long-term funding, diversification of funding sources through continued issuance of domestic bonds and rising committed lines from a greater range of domestic banks provides a stable source of funding to support growth.

Comfortable Liquidity: In managing its liquidity, the company uses cash flow and liquidity gap analysis. The longer average maturity of its liabilities than receivables and high equity base provides comfort in managing its liquidity. Lider has an internal rule of maintaining 20% more factoring receivables than funding in the same maturity brackets.

Sound Capitalisation: Shareholders retain earnings at the company to support planned growth, and no dividend distribution is planned until 2013. Equity remained sound and equalled 14% of assets at end-2011, while Lider's factoring receivables/equity ratio was significantly better than the regulatory ceiling (30x) and internal ceiling (8.33x) at 7.08x.

What Could Trigger a Rating Action

Stable Relative Creditworthiness: Lider's National Long-Term Rating and Outlook reflect its comfortable liquidity position, moderate leverage and sound performance. However, the rating also takes account of the company's limited scale and franchise in the Turkish financial system, potential competitive pressures from bank-owned factoring companies. This results in limited possibility of a change in the ratings in either direction.

Related Research

[Turkey \(November 2011\)](#)

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Related Criteria

[Global Financial Institutions Rating Criteria \(August 2011\)](#)

[Finance and Leasing Companies Criteria \(December 2011\)](#)

[National Ratings Criteria \(January 2011\)](#)