

Lider Faktoring A.S.

Update

Ratings

National

Long-Term Rating A(tur)

Sovereign Risk

Foreign-Currency Long-Term IDR BBB-
Local-Currency Long-Term IDR BBB

Outlooks

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

Financial Data

Lider Faktoring A.S.

	30 Jun 15	31 Dec 14
Total assets (USDm)	297	361
Total assets (TRYm)	799	839
Total equity (TRYm)	96	107
Operating profit (TRYm)	1.2	9.2
Published net income (TRYm)	1.0	7.4
NIM	4.3	5.0
Operating ROAE	2.6	9.0
Impaired receivables/gross receivables	3.0	2.1
LICs/avg. receivables	2.2	1.2
Interest coverage ratio	1.0	1.1
Equity/total assets	12.0	12.8
Debt/equity	7.2	6.8

Key Rating Drivers

Standalone Profile: Lider Faktoring A.S.'s ratings are driven by its standalone creditworthiness as an established, independent factoring company. Lider's ratings also factor in its increasing leverage, volatile revenues and small absolute size of capital. Lider provides with-recourse domestic factoring services to an SME-dominated customer base.

Track Record on Volatile Market: Lider operates in a volatile niche that is affected more than other sectors by any instability in the Turkish economy. Assets and liabilities are very short term, exposing the balance sheet to material variability. Lider sustains its franchise and has a proven track record of adapting to changing economic conditions despite only controlling 3% of assets in the concentrated factoring sector.

Increasing Leverage, Adequate Capital: Leverage (debt/equity) continues to increase at Lider and reached a high 7.2x in 1H15 (2013:6.2x). The equity/assets ratio fell to 12%. This was mainly due to a large TRY12m dividend payment that was only partly offset by TRY1m profit and a 5% decrease of the receivables book. However, Lider's paid-in capital is above the recently introduced TRY20m minimum requirement set by the regulator.

Sound Asset Quality: The impaired receivables ratio (overdue by 90+ days) represented 3% of total receivables in 1H15. This is below the sector average (4.8%) and reflects good underwriting standards, mainly to a wide, diverse base of customers across Turkey. Concentrations on borrowers, industries and originators are low. Exposures over 30 days overdue are fully reserved. Annualised NPL origination was a moderate 1.8% in 1H15 and was matched by pre-impairment profit for the period.

Diversified Funding, Sufficient Liquidity: Related-party long-term funding from Credit Suisse Group AG (A/Stable; 9.9% shareholder) has decreased and now represents 24% of total funding (2012: 45%). Lider maintains a positive maturity gap, as liabilities are on average 30 days longer than receivables. Remaining funding is drawn from bank borrowings (49%), local bond issuances (24%) and sale and leaseback agreements (3%). Lider has large unused credit lines from banks, although these are not committed.

Weakening Performance: Impairment charges consumed 89% of pre-impairment profits in 1H15 (47% in 2014), reflecting falling revenues and deteriorating asset quality. However, margins are holding up (net interest margin: 4.3% at 1H15), reflecting Lider's riskier SME customer base.

Commission income is largely linked to receivables origination and so shrank to 8% of 1H15 revenue (11% in 2014). Asset-quality problems tend to manifest rapidly at Lider, and other factoring firms, due to the short-term nature of receivables (average 70 days' maturity).

Rating Sensitivities

Capitalisation, Leverage, Asset Quality: Lider's rating could be downgraded if there were a continued increase in leverage ratios or significant deterioration of asset quality and performance. This is not Fitch's base case. Upside rating potential is limited and would require material strengthening of Lider's franchise and business profile.

Related Research

Fitch Affirms 3 Turkish Independent Factoring Companies; Outlook Stable (October 2015)

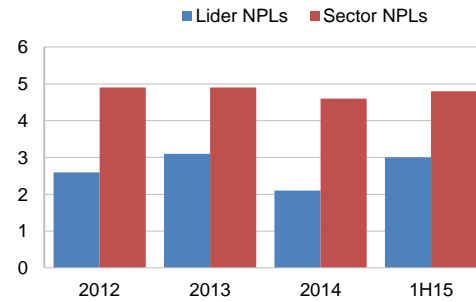
Turkey (October 2015)

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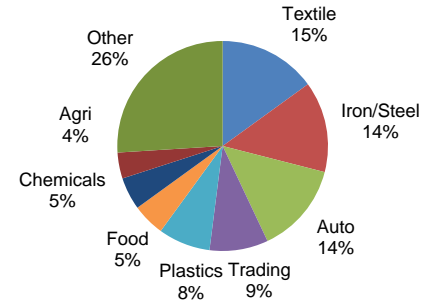
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Figure 1
Asset Quality
% of total receivables



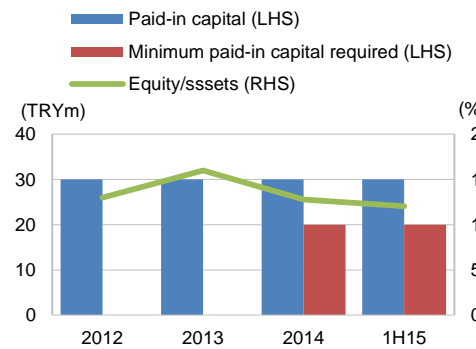
Source: Company data adapted by Fitch, BRSA

Figure 2
Receivables Breakdown
% of total receivables



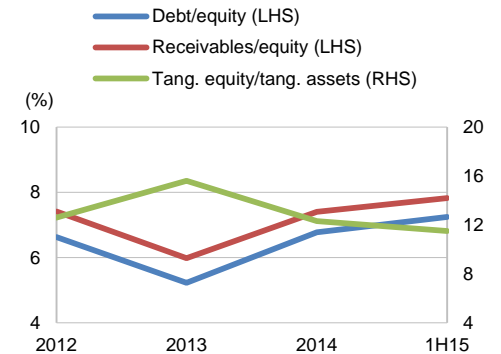
Source: Company data adapted by Fitch

Figure 3
Capitalisation



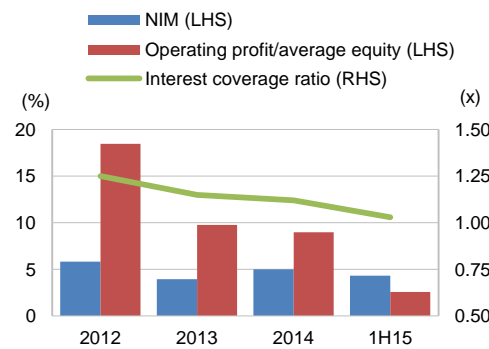
Source: Company data adapted by Fitch, BRSA

Figure 4
Leverage



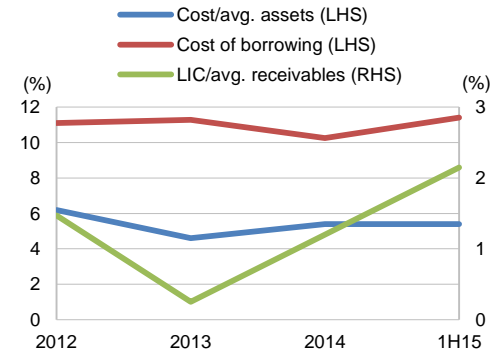
Source: Company data adapted by Fitch, BRSA

Figure 5
Performance



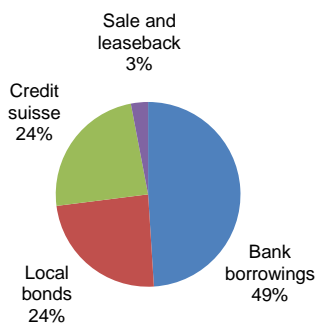
Source: Company data adapted by Fitch, BRSA

Figure 6
Cost Efficiency



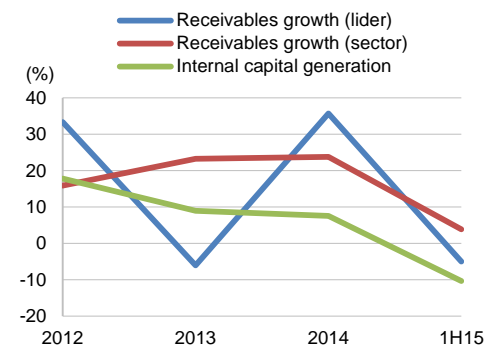
Source: Company data adapted by Fitch

Figure 7
Funding Sources at 1H15
% of total debt



Source: Company data adapted by Fitch, BRSA

Figure 8
Receivables Growth



Source: Company data adapted by Fitch

Related Criteria

Global Non-Bank Financial Institutions Rating Criteria (April 2015)

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