

Financial Services
Credit Update

Ekspo Faktoring A.S.

Ratings

National	
Long-Term Rating	BBB+(tur)
Sovereign Risk	
Foreign-Currency Long-Term IDR	BB-
Local-Currency Long-Term IDR	BB
Country Ceiling	BB

Outlooks

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

Financial Data

Ekspo Faktoring A.S.		
	31 Dec	31 Dec
Total assets (USDm)	78.5	107.4
Total assets (TRYm)	119.6	124.8
Total equity (TRYm)	59.3	47.6
Operating profit (TRYm)	19.4	15.3
Net income (TRYm)	15.5	12.2
Operating ROAA (%)	15.8	7.3
Operating ROAE (%)	36.3	36.0
Equity/assets (%)	49.5	38.1

Analysts

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Related Research

- [Republic of Turkey \(January 2009\)](#)
- [The Turkish Banking System and Prudential Regulations \(March 2009\)](#)

Rating Rationale

- The National Long-Term Rating of Ekspo Faktoring A.S. (Ekspo) reflects its small size within the Turkish financial system and exposure to a volatile operating environment. These factors are balanced by its strong operating performance, good asset quality and solid capitalisation.
- The assets are almost totally composed of short-term factoring receivables. These are largely funded by bank borrowings and equity, such that the debt/equity ratio stood roughly at 1x at end-2008 providing considerable flexibility under difficult operating conditions. Management aims to optimise its market share, profitability and asset quality. The company has strong operating profitability, owing to its core operations, supported by an efficient cost base.
- Ekspo's good asset quality was negatively affected in parallel to the weakening economic environment and remains sensitive to the grim credit environment outlook in 2009. Nevertheless, the company maintains 100% reserve coverage for impaired receivables. Even after the spike in the two consecutive quarters from Q408, the NPL ratio of 3.3% as of end-H109 and 3.5% at end-2008 (2007: 2.1%) compare favourably with the industry average of approximately 9% in 2008.
- Exposure to liquidity and market risks has been tested during the stress conditions of Q408, which Ekspo, relying on its own liquidity sustaining ability, successfully navigated and negotiated continued funding.
- Capitalisation is solid in line with the requirements of the funding profile and the operating environment. Factoring companies do not have to maintain a minimum capital ratio, but must comply with a regulatory maximum loan/equity ratio of 30x. Ekspo's ratio was far better than the regulatory ceiling at 1.9x at both end-H109 and 2008 with free capital equating to a solid 48% of assets at end-2008.

Support

- Ekspo is a joint-stock company, with 100% of the stock held by the founding family members. Although these individuals might have the financial capacity and willingness to support the company in times of need, this ability cannot be ascertained and therefore cannot be relied upon.

Key Rating Drivers

- The Stable Outlook on Ekspo's rating is underpinned by the company's strong financial fundamentals including profitability and capitalisation. Downside rating risk could arise from a deterioration in asset quality coupled with diminished capital and earnings.

Profile

Ekspo was established in 2000 as a joint-stock company to provide receivables collection and cash management services to companies in return for their commercial receivables. At end-2008, its market share was 3.1%, placing the company seventh in overall industry rankings and first among independent factoring companies. The company undertakes its own marketing and distribution and is regulated by the Banking Regulation and Supervision Agency (BRSA).