

# Tam Finans Faktoring A.S.

## Key Rating Drivers

**Independent Factoring Company:** The ratings of Tam Finans Faktoring A.S. (TFF) consider its small but growing factoring franchise, largely secured funding profile and a business model focused on higher-risk small businesses operating in a challenging operating environment. The ratings also reflect the company's record of comparatively limited credit losses for the business model, granular portfolio, low market risk, liquid balance sheet and diversified funding sources.

**Growing Market Share:** TFF's business model has been tested through numerous crises. The company has maintained adequate profitability, with limited credit losses and funding access even in challenging conditions. Market share increased to 3.2% of sector assets at end-2021 from 2.5% in early 2020. Fitch Ratings believes TFF's business model and performance benefit from a high level of automation, including a bespoke IT-based scorecard and monitoring tools automatically collecting and analysing data on borrowers and originators of receivables.

**Higher-Risk Clients:** TFF focuses on small, higher-risk underbanked businesses with fairly short credit histories, making them more vulnerable to macroeconomic volatility. This exposes TFF in our opinion to heightened credit risks. The generally small ticket sizes and the labour-intensive nature of sales weigh on TFF's cost base, highlighting the importance of gaining scale in TFF's business niche.

**Limited Credit Losses:** TFF has to date reported fairly small credit losses with an impaired receivables (90+ days overdue) ratio of around 2% at end-2021 (end-2020: 1.4%) compared to the sector average ratio of 2.8% at end-2021. TFF's loss allowances were higher at 112% of year-end receivables (sector: 89%) which Fitch views positively. Asset quality risks are mitigated by low single-name concentrations by customer and originator of receivables.

**Rapid Growth:** TFF's annual asset growth of 64% in 2021 (2020: 31%) exceeded the sector average of 32% (2020: 28%), but the short-term nature of factoring receivables moderates portfolio seasoning risks. Fitch believes TFF's risk controls have kept up with recent growth and that growth will moderate once TFF's has reached sufficient scale and operating leverage.

**High Leverage Ratio:** Asset growth, partly due to higher inflation in the economy, weakened TFF's gross debt/tangible equity to 9.3x at end-2021 from 7.2x at end-2020. Leverage is considerably above the sector average of 4.8x and weighs on TFF's overall credit profile, but is partly balanced by TFF's granular portfolio and absence of foreign-exchange (FX) risk. We view TFF's leverage as a key rating constraint which, in combination with larger credit losses, could lead to a downgrade.

**Good Profitability:** TFF's profitability slightly weakened in 2021 but its net interest margin (NIM) of 9% (2021: 12%) compared well with the sector average (6%) and domestic and international peers. Pre-tax return on average assets (ROAA) weakened to 4.2% in 2021 from 4.8% a year earlier. This was lower than the sector average of 4.3%, but TFF's pre-impairment return on average assets of 6.7% in 2021 was stronger than the sector average of 5.4%.

## Rating Sensitivities

**Lower Leverage:** A strengthening in the scale of the business, supported by a more conservative leverage profile while maintaining sound profitability and asset quality, would be rating-positive.

**Large Credit Losses:** Increased leverage from end-2021 levels, or a sharp rise in impaired receivables, deterioration in profitability to below-sector average, or a marked weakening in the operating environment, would lead to a downgrade.

## Ratings

### Foreign Currency

Long-Term IDR	B
Short-Term IDR	B

### Local Currency

Long-Term IDR	B
Short-Term IDR	B

### National

National Long-Term Rating	BBB(tur)
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### Sovereign Risk

Long-Term Foreign-Currency IDR	B+
Long-Term Local-Currency IDR	B+
Country Ceiling	B+

### Outlooks

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

## Applicable Criteria

[National Scale Ratings Criteria \(December 2020\)](#)

[Non-Bank Financial Institutions Rating Criteria \(January 2021\)](#)

## Related Research

[Fitch Affirm Tam Finans Faktoring at 'B'; Outlook Negative \(March 2022\)](#)

[Turkish Factoring Sector Dashboard: 1H21 \(September 2021\)](#)

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**Ratings Navigator**

**Tam Finans Faktoring A.S.**



**Non-Bank FI Ratings Navigator**  
Finance & Leasing Companies

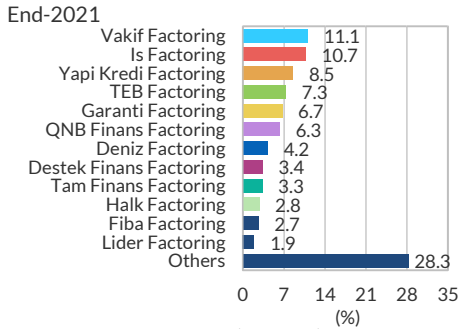
Factor Levels	Operating Environment	Business Profile	Management & Strategy	Risk Profile	Asset Quality	Earnings & Profitability	Capitalization & Leverage	Funding, Liquidity & Coverage	Issuer Default Rating
aaa									AAA
aa+									AA+
aa									AA
aa-									AA-
a+									A+
a									A
a-									A-
bbb+									BBB+
bbb									BBB
bbb-									BBB-
bb+									BB+
bb									BB
bb-									BB-
b+	↓	↓	↓	↓	↓	↓	↓	↓	B+
b	↓	↓	↓	↓	↓	↓	↓	↓	<b>B Negative</b>
b-	↓	↓	↓	↓	↓	↓	↓	↓	B-
ccc+							↓	↓	CCC+
ccc									CCC
ccc-									CCC-
cc									CC
c									C
f									D or RD

**Bar Chart Legend**

Vertical bars = Range of Factor  
 Bar Colours = Relative Influence  
 ■ Higher influence  
 ■ Moderate influence  
 ■ Lower influence

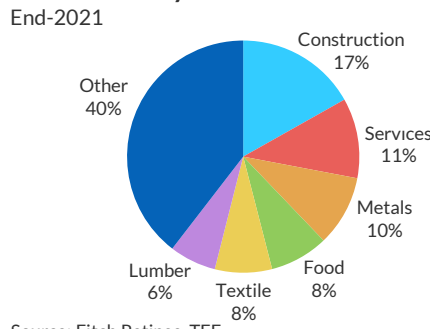
Bar Arrows = Factor Outlook  
 ↑ Positive    ↓ Negative  
 ⇅ Evolving    □ Stable

**Factoring Companies by Assets**



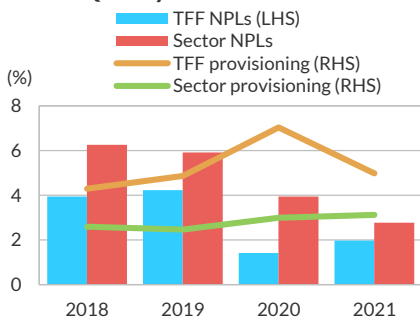
Source: Fitch Ratings, BRSA (regulator)

**Receivables by Sector**



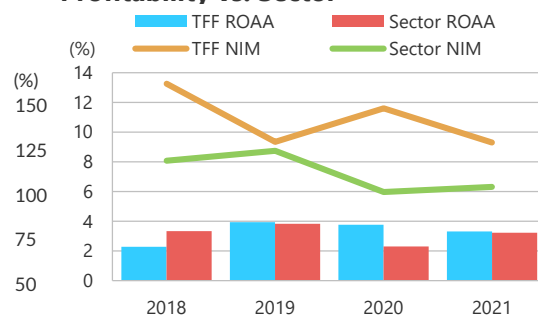
Source: Fitch Ratings, TFF

**Asset Quality vs. Sector**



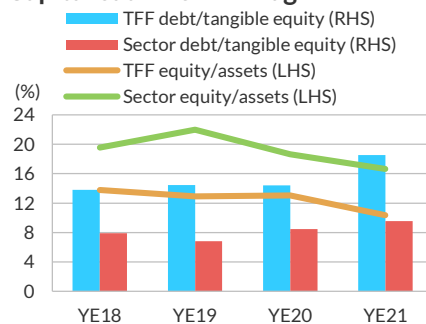
Source: Fitch Ratings, TFF, BRSA

**Profitability vs. Sector**



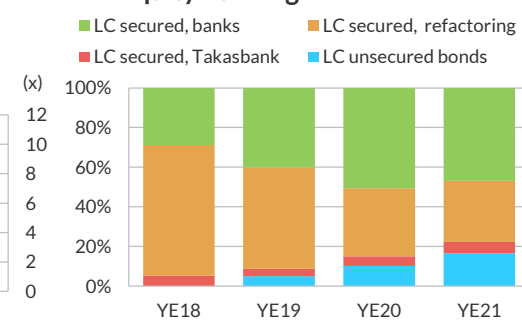
Source: Fitch Ratings, TFF, BRSA

**Capitalisation & Leverage**



Source: Fitch Ratings, TFF, BRSA

**Non-Equity Funding**



Source: Fitch Ratings, TFF

- TFF's market share by assets was 3.3% at end-2021. Market share by number of customers was considerably larger at about 40%, reflecting TFF's focus on small-ticket deals and micro-SMEs. TFF has increased its market share with limited credit losses in recent years.
- Receivables are granular by client and sector with the largest 20 customers and originators accounting for 1.1% and 1.6%, respectively, of the portfolio at end-2021.
- Despite a focus on riskier client segments, TFF has a history of low credit losses compared to peers. Its granular portfolio with no direct foreign exchange exposure supports asset quality.
- TFF's higher margins and lower credit losses result in good profitability. TFF's pre-impairment profit / average assets ratio was 6.7% compared to the sector average of 5.4% in 2021.
- The labour-intensive sales process leads to weak operating efficiency compared to the sector average. TFF's cost/income ratio was 58% compared to the sector average of 35% in 2021, but the sector ratio is distorted by captive companies' reliance on parent banks' sales channels.
- TFF's capitalisation is a rating constraint. Its equity/assets ratio is lower than the sector average. A material increase in leverage could lead to a downgrade.
- TFF's short-term assets and diversified and tested access to funding lowers liquidity and refinancing risks. Receivables accounted for about 90% of TFF's total assets and had tenors of about 120 days at end-2021.
- All funding is local currency (LC) as is the receivables portfolio.

## Summary Analytics

(%)	2017	2018	2019	2020	2021
<b>Asset quality metrics</b>					
Impaired receivables/gross receivables	2.4	3.9	4.2	1.4	2.0
Impaired receivables generation	0.8	3.1	2.8	1.6	2.8
Receivable loss allowances/impaired receivables	117.3	103.7	110.8	137.8	112.3
Net impaired receivables/tangible equity	-5.1	-1.2	-3.8	-4.3	-2.4
Impairment charges/average gross receivables	0.8	2.8	3.2	1.8	2.7
Growth of gross receivables	65.5	-3.1	39.0	31.4	64.2
<b>Earnings and profitability metrics</b>					
Pre-tax income/average assets	3.2	2.7	4.9	4.8	4.2
Pre-tax income/average equity	30.2	23.3	37.1	36.7	37.2
Net income/average assets	2.7	2.3	3.9	3.8	3.3
Net income/average equity	25.6	19.4	29.7	29.0	29.2
Operating expenses/operating revenues	72.2	66.6	57.9	59.3	57.5
Impairment charges/pre-impairment op. profit	19.6	50.2	38.0	26.4	37.0
Interest income/average gross receivables	25.3	38.0	27.9	22.6	28.1
Interest expense/average debt	16.3	28.4	21.9	12.9	20.6
Net interest income/average net receivables (NIM)	11.1	13.3	9.3	11.6	9.3
Risk adjusted NIM	10.3	10.4	6.0	9.7	6.5
<b>Capitalization and leverage metrics</b>					
Debt/tangible equity (x)	11.3	6.9	7.2	7.2	9.3
Tangible equity/tangible assets	7.9	12.4	11.5	11.7	9.4
Equity/total assets	9.6	13.8	12.9	13.0	10.4
Internal capital generation	29.4	39.4	34.8	33.7	34.1
Dividend payout ratio	0.0	0.0	0.0	0.0	0.0
<b>Funding and liquidity metrics</b>					
Unsecured debt/total debt	0.0	0.0	5.0	10.1	16.6
Short-term debt/total debt	91.6	99.4	98.7	98.0	94.4

Source: Fitch Ratings, Tam Finans Faktoring A.S.

**Balance Sheet**  
 (IFRS)

(TRYm)	2017	2018	2019	2020	2021
<b>Assets</b>					
Cash & equivalents	1	2	21	17	84
<b>Gross receivables</b>	<b>655</b>	<b>635</b>	<b>883</b>	<b>1,161</b>	<b>1,906</b>
Memo: Impaired receivables included above	16	25	37	16	38
Less: Receivable loss allowances	18	26	41	23	42
<b>Net receivables</b>	<b>637</b>	<b>609</b>	<b>842</b>	<b>1,138</b>	<b>1,864</b>
Goodwill and intangible assets	6	9	15	18	23
Deferred tax assets	11	8	12	17	30
Fixed assets	12	16	39	40	74
Other assets	3	8	10	14	21
<b>Total assets</b>	<b>669</b>	<b>653</b>	<b>938</b>	<b>1,244</b>	<b>2,096</b>
<b>Liabilities</b>					
Short-term secured debt (refactoring)	381	362	392	357	555
Short-term secured debt	163	183	326	552	846
Short-term unsecured debt	0	0	38	104	299
Long-term secured debt	50	3	10	20	100
<b>Total borrowings</b>	<b>595</b>	<b>549</b>	<b>766</b>	<b>1,033</b>	<b>1,800</b>
Other liabilities	10	14	51	49	78
<b>Total liabilities</b>	<b>605</b>	<b>563</b>	<b>817</b>	<b>1,082</b>	<b>1,879</b>
<b>Total equity</b>	<b>64</b>	<b>90</b>	<b>121</b>	<b>162</b>	<b>217</b>
<b>Total liabilities and equity</b>	<b>669</b>	<b>653</b>	<b>938</b>	<b>1,244</b>	<b>2,096</b>
Exchange rate, USD/TRY	3.78	5.29	5.94	7.43	13.34

Source: Fitch Ratings, Tam Finans Faktoring A.S.

**Income Statement**  
 (IFRS)

(TRYm)	2017	2018	2019	2020	2021
<b>Revenues</b>					
Interest income	133	245	212	231	431
Net fees and commissions	20	24	80	57	119
Other revenues	1	1	2	1	4
<b>Total revenues</b>	<b>154</b>	<b>271</b>	<b>294</b>	<b>289</b>	<b>554</b>
<b>Expenses</b>					
Interest expenses	77	163	144	116	291
SG&A expenses	56	72	87	103	151
Impairment charges	4	18	24	19	41
<b>Total expenses</b>	<b>137</b>	<b>253</b>	<b>255</b>	<b>237</b>	<b>484</b>
<b>Pre-tax income</b>	<b>17</b>	<b>18</b>	<b>39</b>	<b>52</b>	<b>71</b>
Income tax	3	3	8	11	15
<b>Net income</b>	<b>15</b>	<b>15</b>	<b>31</b>	<b>41</b>	<b>55</b>
Memo: Common dividends relating to the period	0	0	0	0	0

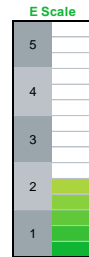
Source: Fitch Ratings, Tam Finans Faktoring A.S.

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation				Overall ESG Scale			
Tam Finans Faktoring A.S. has 5 ESG potential rating drivers ➔ Tam Finans Faktoring A.S. has exposure to fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above but this has very low impact on the rating. ➔ Governance is minimally relevant to the rating and is not currently a driver.				key driver	0 issues	5	
				driver	0 issues	4	
				potential driver	5 issues	3	
				not a rating driver	6 issues	2	
					3 issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	2	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment
Energy Management	2	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Appetite
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

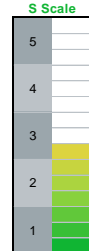
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

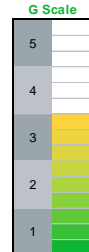
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Operating Environment; Risk Appetite; Asset Quality
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Company Profile; Earnings & Profitability



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Management & Strategy
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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