Optima 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

Optima Faktoring Hizmetleri A.S.

	31 Dec 11	31 Dec 10
Total assets (USDm)	67	79
Total assets (TRYm)	128	122
Total equity (TRYm)	25	24
Operating profit (TRYm)	7	8
Published net income (TRYm)	5	6
Comprehensive income (TRYm)	5	6
Operating ROAA (%)	5.4	8.1
Operating ROAE (%)	27.9	34.1
Internal capital generation (%)	21.8	10.1

Related Research

Turkey (November 2011)

Analysts

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Key Rating Drivers

Focused on SMEs: Optima Faktoring Hizmetleri A.S.'s (Optima) relative standing among peers is supported by its sound capitalisation and its above-average profitability. These factors counterbalance its relatively weaker asset quality than peers.

Having improved its IT infrastructure, Optima strengthened its competitive position in providing services to large number of smaller customers not preferred by its larger peers. This focus area provides relatively wider margins and higher profitability even after netting off the credit cost attached to its riskier small customers.

Slowed Growth: Optima's receivables growth for the year was 3%, far below the Turkish factoring sector average of 11% in 2011. This mainly resulted from pressure from funding and the company's preference for maintaining a higher level of liquid assets as uncertainties about the global and domestic macroeconomic prospects heightened in H211.

Profitability Above Sector Average: Profitability was lower in 2011, but remained above sector average, mainly as a result of narrower margins from higher costs of funding due to concerns about global liquidity in the market. Lower returns on increased liquidity and weaker efficiency from expansion of the branch network also negatively affected profitability. Contribution of fees and commissions remained strong at 25% of operational income and partially offset the impacts of narrower margins in 2011.

Below-Average Asset Quality: Optima's impaired receivables slightly increased and equalled 8.1% of gross factoring receivables at end-2011 (end-2010: 7.1%). They remained higher than the sector average of 3.5% (end-2010: 4.1%). The company has a well-diversified receivables portfolio by seller but there are concentrations in construction.

Short-Term Funding Structure: Funding is short term and mainly obtained from local banks in Turkish lira to match the currency of receivables. Optima first secures funding and then creates new business in line with the maturity and interest-rate structure of the funding.

Comfortable Liquidity: In managing liquidity risk, the company uses cash flow and liquidity gap analysis. It also maintains a large equity base. Its self-liquidating asset-backed business model reduces liquidity risk. There is a positive liquidity gap between the contractual maturities of assets and liabilities, providing comfort on liquidity management and supporting profitability when interest rates rise but resulting in narrowing margins when interest rates decline.

Sound Capitalisation: Optima's sound capitalisation gives it a necessary buffer against potential risks and supports growth and profitability. Optima's factoring receivables equalled 4.6x of equity (2010: 4.8x) at end-2011 including the contribution of high internal capital generation. This remained far below Optima's internal limit of 10x and regulatory limit of 30x.

What Could Trigger a Rating Action

Stable Relative Creditworthiness: Optima'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, potential competitive pressures from bank-owned factoring companies. This results in a limited possibility for a change in the ratings in either direction.

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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)