FitchRatings

Non-Bank Financial Institutions
Finance & Leasing Companies
Turkiye

Lider Faktoring A.S.

Key Rating Drivers

Standalone Rating: Lider Faktoring A.S.'s rating is driven by its standalone credit profile as a small, independent factoring company in Turkiye. The rating also factors in Lider's sound operating performance in a highly competitive factoring sector dominated by bank subsidiaries, good asset quality and an increasing, but still-small, capital base. The company is listed on Borsa Istanbul with a free float of around 40% but is majority-owned by private investors.

Small Independent Factoring Company: Lider's receivables market share of 2.4% at end-2024 places it among the 10 largest Turkish factoring companies. It exclusively offers factoring in local currency (LC) to local Turkish SMEs. The industry is fragmented even though there are some large competitors, allowing smaller companies to profitably operate in their niches.

Some Diversification Through NPL Subsidiary: Lider fully consolidates Denge Asset Management Company, a non-performing loan (NPL) purchaser that accounted for 10% of Lider's assets at end-2024. Lider's debt management segment contributed 18% of pre-tax profits in 2024, and Fitch Ratings expects stable performance from Denge in 2025.

Short-Term LC Balance Sheet: Lider's focus on factoring services in LC mitigates foreign exchange (FX)-induced credit risks, as it is not exposed to foreign-currency (FC) receivables or FX funding. Concentration in large clients is mainly related to refactoring receivables from other factoring companies, and recourse capacity to ultimate originators mitigates concentration risk. Exposure is fairly diversified by economic sector.

Strong Asset Quality: Lider's impaired loans/gross receivables ratio is low and further decreased to 0.3% at end-2024 from 0.5% at end-2023. Its impairment charges/average gross loans ratio was also low at 0.5% in 2024, better than the sector average (1.6%). Impaired receivables are 100% covered with provisions. We expect some deterioration in asset quality in 2025, mainly due to a continued economic slowdown and lower nominal asset growth, but we believe Lider has the capacity to absorb additional credit losses.

Sound Profitability: Lider's core pre-tax income/average assets ratio was high at 16% in 2024, supported by continued growth in receivables (up 79% year on year), high margins, limited credit losses and contribution from its fully consolidated debt purchasing subsidiary. Fitch considers Lider's core profitability as strong, but given the boost of high inflation in Turkiye to nominal profitability, Fitch views sound inflation-adjusted profitability and earnings stability as critical for Lider's credit profile.

Lider's small scale, focus on SMEs and volatility in its debt purchasing subsidiary may weigh on its profitability at times of increased market stress.

Low Leverage Ratio: Prudent credit underwriting, full profit retention and high profits from its debt purchasing subsidiary support Lider's consolidated capitalisation. The gross debt/tangible equity ratio was low at 2.9x at end-2024 (end-2023: 2.7x). Fitch does not expect leverage to increase rapidly in the short term given volatile market conditions.

Limited Refinancing Risk: Lider's short-dated balance sheet and the absence of maturity mismatches between assets and liabilities largely offset refinancing risk. It has a diversified funding base across local banks, domestic bond issuance, and access to the money market of Istanbul Takas ve Saklama Bankasi A.S. (Takasbank; BB-/Stable), Turkiye's central clearing house. All funding is in Turkish lira, as is the receivables portfolio.

Ratings

National Rating	
National Long-Term Rating	BBB+(tur)

Sovereign Risk (Turkiye)	
Long-Term Foreign-Currency IDR	BB-
Long-Term Local-Currency IDR	BB-
Country Ceiling	BB-

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

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (January 2025)

National Scale Rating Criteria (December 2020)

Related Research

Fitch Affirms Lider at 'BBB+(tur)'; Outlook Stable (April 2025)

Turkish Leasing and Factoring Sectors: 2025 (March 2025)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A material and sustained deterioration in the standalone credit profile, such as sustained excessive portfolio growth resulting in leverage consistently above 7x, weakened capitalisation, increased volatility of operational performance, higher risk appetite, materially enlarged credit losses, and refinancing difficulties or liquidity constraints, may lead to a rating downgrade.

Deterioration of the above factors relative to domestic peers could lead to a downgrade of the National Rating. In addition, Fitch's recalibration of its National Rating mapping may result in a downgrade of the National Rating.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The potential for a rating upgrade is limited unless there is a substantial improvement in the operational environment (most likely to be driven by an upgrade of the sovereign rating), in conjunction with Lider strengthening its business profile and franchise relative to domestic peers, while maintaining low leverage and strong operational performance.

In addition, Fitch's recalibration of its National Rating mapping may result in a downgrade of the National Rating.

Key Qualitative Factors

Operating Environment

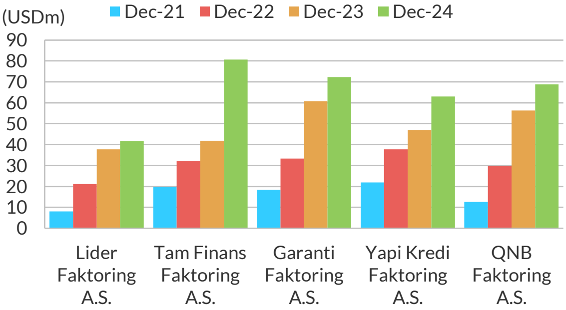
Developing Domestic NBFI Sector

The non-bank financial institutions (NBFIs) market is still developing in Turkiye, with low market depth. Access to medium- and long-term lira funding is almost non-existent, while long-term FC funding is mostly from international financial institutions. The regulatory framework for leasing and factoring is weaker than that for banks and investment companies. The only direct prudential regulation for NBFIs is a minimum equity/assets ratio of 3%. We view this as a loose requirement. There are no regulatory requirements for liquidity.

The sector is dominated by captive factoring companies, which originate most of their business through their parent bank franchises. Most independent factoring companies focus on the labour-intensive SME segment and rely on their own branch networks.

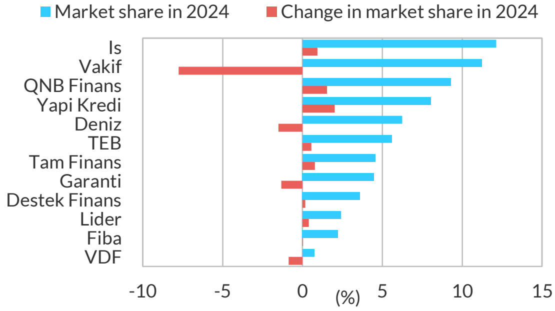
Factoring firms are active users of the local bond markets and issue debt with maturities of 3–18 months (usually not longer than six months). Subscribers to these issuances include local pension funds, asset managers, high-net-worth individuals and the companies' own shareholders. Such short-term lira bonds accounted for around 8% of total borrowed funds at end-2024 (end-2023: 12%). Access to FC funding improved in 2024, and FC funding (including bank loans and FC bonds) reached 20% of total sector funding.

Net Operating Revenue



Source: Fitch Ratings, Fitch Solutions, Lider Faktoring, entities

Top Factoring Companies by Receivables



Source: Fitch Ratings, Fitch Solutions, BRSA

Medium-Sized Independent Factoring Company

Lider is a medium-sized factoring company in Turkiye, with a 2.4% market share by receivables at end-2024. It almost exclusively offers domestic factoring with recourse. It is specialised in serving SMEs and has a medium-sized, granular client portfolio. Lider has 15 branches, covering clients in 54 cities across Turkiye. The company is 42% listed on Borsa Istanbul since 2014 and is controlled by a group of private shareholders. The organisational structure is simple and financial transparency is sufficient for its business model.

Lider's corporate governance is adequate and in line with its stock exchange listing disclosure requirements. The company is regulated by the Banking Regulation and Supervision Agency, and the Capital Markets Board has oversight on the company due to its trading shares on the stock market and local bond issuances.

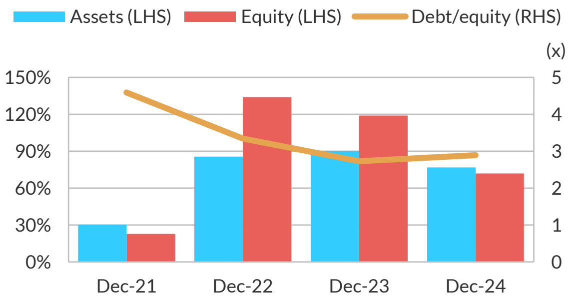
Small Franchise as NPL Purchaser

Denge Varlik Yonetim AS, Lider's fully owned subsidiary, acquires non-performing unsecured retail debt from local banks, mostly in the form of credit card receivables. Denge has a small market share of around 4% in the Turkish debt purchaser market. Denge's NPL portfolio had been growing very rapidly over the past few years (doubling in 2022 and 2023), but growth slowed in 2024, increasing broadly in line with inflation, while expected revenue collection increased by 65%. The contribution from debt purchasing operations to gross revenue decreased to 14% in 2024 from 29% in 2023, while the contribution to pre-tax profitability was 18%, down from 38% in 2023. We believe that 2022 and 2023 were exceptionally strong years for the debt purchasing segment and its medium-term contribution is likely to decrease further.

SME-Focused Factoring Portfolio

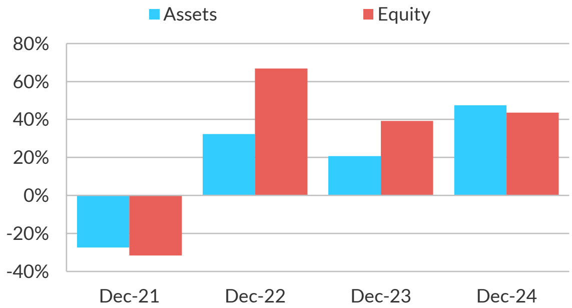
Receivables are well distributed across various sectors; around 20% are due from large corporates, with the remaining 80% from SME clients. Concentration in large borrowers is moderate as the 20 largest receivables accounted for 31% of receivables at end-2024 (end-2023: 21%). However, more than half of these large receivables are from other factoring companies within the scope of refactoring transactions, which are well diversified. Receivables have a short average contractual maturity of around 120 days, a typical feature of the factoring sector.

Growth (Lira-Based) & Leverage



Source: Fitch Ratings, Fitch Solutions, Lider Faktoring

Growth (US Dollar-Based)



Source: Fitch Ratings, Fitch Solutions, Lider Faktoring

Risk Profile

Return to Growth in 2025

Lider has deleveraged its factoring portfolio, remained profitable, and limited credit losses in 2023–2024, despite its focus on higher-risk SMEs. The company has sufficient cost discipline and maintained good access to funding. It also has some diversification through growth in the debt management segment. In 2025, Lider aims to capture market share and plans to invest in its sales force and franchise. In our view, leverage is sufficiently low (end-2024 debt/tangible equity: 2.9x), with room for healthy balance sheet expansion. Lider's priority is to reduce refactoring transactions (factoring receivables purchased from other factoring companies) and replace these with business generated via its own franchise.

No Direct FX Risk; Limited Interest Rate Risk

Lider operates exclusively in LC as all its receivables and funding are in lira. However, FX risk may still come indirectly through asset quality when clients' and originators' payment capacity is negatively affected by currency depreciation. Lider's factoring receivables are short-term, and most of its funding sources are also short-term with maturities of three to four months. All factoring receivables and funding have fixed rates. The company therefore has a matched balance sheet, where asset and liability maturities are matched and interest rate risk is low.

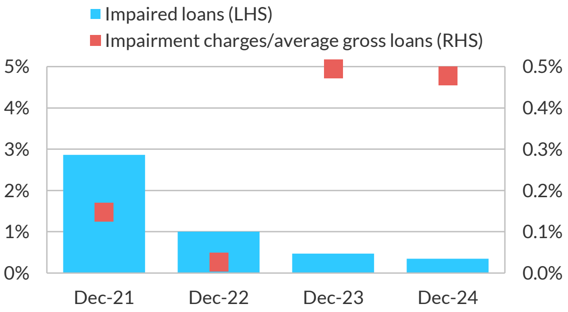
Financial Profile

Asset Quality

Lider's NPL ratio further improved to 0.3% at end-2024, down from 0.5% at end-2023. The loan impairment charges/average gross loans ratio was flat at 0.5%, which is better than the sector average (1.6%). NPLs were 100% covered with provisions. Credit impairment expenses equalled a very low 2.4% of pre-impairment profits in 2024 (2023: 1.4%). Despite higher interest rates and an economic slowdown in 2024, Lider maintained strong asset quality, which we believe is a strength for the company's credit profile. We expect moderate deterioration in asset quality in 2025, mainly due to a continued economic slowdown and lower nominal asset growth.

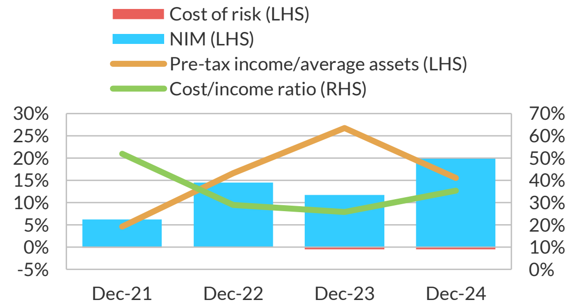
Lider's NPL management portfolio has a book value of TRY755 million at end-2024, with TRY1,833 million estimated remaining collection over the next 120 months. Collections have been improving over the past few years; however, this is distorted by very high inflation in Turkiye, meaning that collections exceeded the opening balance in 2022 and 2023. Given the deteriorating price dynamics, Lider expects its debt purchasing portfolio to shrink by between 10% and 15% in 2025. We expect the medium-term contribution from this segment to decrease.

Asset Quality



Source: Fitch Ratings, Fitch Solutions, Lider Faktoring

Profitability & Margins



Source: Fitch Ratings, Fitch Solutions, Lider Faktoring

Earnings and Profitability

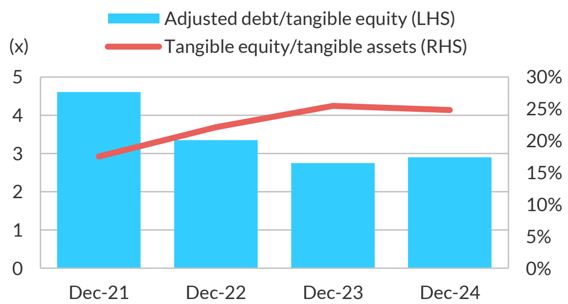
Lider relies on factoring for most of its revenue, although the debt purchasing segment provides some diversification. The company is consistently profitable, and 2024 performance was strong (pre-tax income/assets: 16%; 2023: 27%), driven by very good margins on factoring and high income from debt purchasing, as well as the high inflation. Debt purchasing profits mainly stem from the revaluation of receivables for inflation and are not sustainable. The cost/income ratio increased to 35% in 2024 (2023: 26%), but we consider Lider's operational costs as reasonable and sustainable given the size of its gross revenue base.

Capital and Leverage

Lider's leverage was fairly stable at 2.9x at end-2024 (end-2023: 2.7x), which we believe is sufficient to cover losses in a stress scenario. The company has been operating with fairly low leverage over the past five years, and stronger capitalisation is mainly driven by deleveraging and improved internal capital generation. It does not plan to distribute dividends.

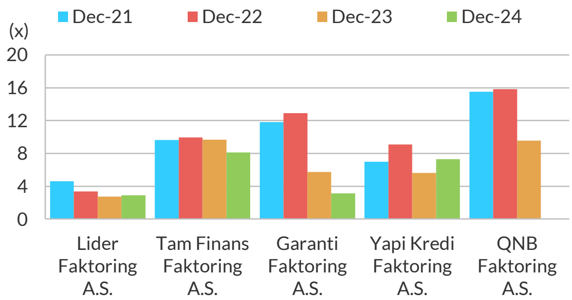
Turkish factoring companies have to comply with a gearing (receivables/equity) ratio of above 3% (which we view as very loose). We believe Lider's capitalisation provides a sizeable buffer to absorb losses.

Capitalisation & Leverage



Source: Fitch Ratings, Fitch Solutions, Lider Faktoring

Leverage Ratios



Source: Fitch Ratings, Fitch Solutions, Lider Faktoring, entities

Funding and Liquidity

Wholesale Funding from Local Banks

Lider is mainly funded by short-term bank loans (93% of total borrowings at end-2024) and issued bonds (7%). All of Lider's funding is short-term (92% due within 90 days), aligned with the short cycle of its assets (around 120 days). Local bonds have short-term maturities, in line with the business model.

The company generates sizeable funding from Takasbank due to fairly easy access. Loans from Takasbank are secured by bank guarantees (rather than Lider's own assets), which Lider obtains from local banks. We therefore classify Takasbank's funding as secured.

Lider's debt purchasing subsidiary has longer maturities due to the longer collection period and has separate funding lines and very low leverage.

Financials

Income Statement

	31 Dec 24 Year end (TRY 000) Audited	31 Dec 23 Year end (TRY 000) Audited	31 Dec 22 Year end (TRY 000) Audited	31 Dec 21 Year end (TRY 000) Audited
Revenue				
Other operating income	478,724	490,939	187,927	48,486
Total gross operating revenue	3,499,589	1,706,012	681,740	271,039
Total interest expense	2,025,609	594,608	284,686	163,404
Total net operating revenue	1,473,980	1,111,404	397,054	107,635
Expenses				
Total operating expenses	521,137	286,341	115,052	55,838
Impairment charges/(reversals) on loans & finance leases	23,249	11,794	375	1,331
Operating profit	929,594	813,269	281,627	50,466
Pre-tax income	929,594	813,269	281,627	50,466
Net income (incl. non-controlling interests)	656,673	566,362	206,876	38,162
Exchange rate	USD1 = TRY35.3108	USD1 = TRY29.4668	USD1 = TRY18.7133	USD1 = TRY13.3367

Source: Fitch Ratings, Fitch Solutions, Lider Faktoring A.S.

Balance Sheet

	31 Dec 24 Year end (TRY 000) Audited	31 Dec 23 Year end (TRY 000) Audited	31 Dec 22 Year end (TRY 000) Audited	31 Dec 21 Year end (TRY 000) Audited
Assets				
Gross customer loans and other receivables	6,254,878	3,493,852	1,814,343	1,037,757
Memo: impaired loans, leases and receivables included above	21,664	16,592	18,155	29,675
Less: loss allowances for loans, leases and receivables	21,664	17,427	16,563	29,675
Net loans & finance leases	6,233,214	3,476,425	1,797,780	1,008,082
Total interest earning assets	6,300,867	3,496,488	1,797,780	1,008,082
Total assets	7,674,291	4,340,164	2,283,442	1,230,575
Liabilities & equity				
Short-term borrowings (maturing within 12 months)	5,519,972	3,031,357	1,690,988	994,422
Long-term borrowings (maturing after 12 months)	1,106	2,513	0	n.a.
Total borrowings	5,521,078	3,033,870	1,690,988	994,422
Total debt and deposits	5,521,078	3,033,870	1,690,988	994,422
Other liabilities	153,850	93,686	56,917	17,836
Total liabilities	5,765,457	3,230,416	1,776,958	1,014,127
Total equity excl. hybrid capital accounted for as equity	1,908,834	1,109,748	506,484	216,448
Total equity	1,908,834	1,109,748	506,484	216,448
Total liabilities and equity	7,674,291	4,340,164	2,283,442	1,230,575
Exchange rate	USD1 = TRY35.3108	USD1 = TRY29.4668	USD1 = TRY18.7133	USD1 = TRY13.3367

Source: Fitch Ratings, Fitch Solutions, Lider Faktoring A.S.

Summary Analytics

	31 Dec 24 Year end	31 Dec 23 Year end	31 Dec 22 Year end	31 Dec 21 Year end
Asset quality (%)				
Impaired loans & finance leases/gross loans & finance leases	0.3	0.5	1.0	2.9
Loss allowances/impaired loans & finance leases	100.0	105.0	91.2	100.0
Impaired loans & finance leases less loss allowances/tangible equity	n.a.	-0.1	0.3	n.a.
Net charge-offs/average gross loans & finance leases	0.3	0.5	1.0	n.a.
Growth of gross loans & finance leases YoY	79.0	92.6	74.8	35.4
Impairment charges on loans & finance leases/average gross loans & finance leases	0.5	0.5	0.0	0.1
Earnings and profitability (%)				
Pre-tax income/average assets	15.6	26.8	16.6	4.6
Pre-tax income/average equity	62.5	105.4	86.4	25.7
Operating expenses/total net revenue	35.4	25.8	29.0	51.9
Pre-tax operating income/total revenue	26.6	47.7	41.3	18.6
Net interest income/average earning assets	19.9	11.7	14.5	6.2
Impairment charges/pre-impairment operating profit	2.4	1.4	0.1	2.6
Capitalisation and leverage (%)				
Total funding/tangible equity (x)	2.9	2.7	3.4	4.6
Tangible equity/tangible assets	24.8	25.5	22.1	17.5
(Net income - dividends - share repurchases)/beginning equity	59.2	111.8	95.6	21.6
Corporate debt/tangible equity (x)	2.9	2.7	3.4	4.6
Funding, liquidity and coverage (%)				
Unsecured funding/total funding	7.5	15.1	6.0	4.7
Short-term funding/total funding	100.0	99.9	100.0	100.0
(Liquid assets + undrawn committed facilities)/short-term funding (x)	0.0	0.0	0.0	0.0
Secured debt/total assets	66.6	59.3	69.6	77.0
Liquid assets/total assets	2.2	1.1	1.5	0.9

Source: Fitch Ratings, Fitch Solutions, Lider Faktoring A.S.

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