JCR-ER JCR Eurasia Rating
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JCR Eurasia Rating

evaluated

Tera Yatırım Menkul Değerler A.Ş. and **the Cash Flows on Current and Planned Bill Issuances**

in the periodic annual review and affirmed the ratings on the Long and Short Term National Scales as **'A-(Trk)'** and **'A-1(Trk)',** respectively and affirmed the **"Stable"** outlooks on both ratings.
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RATINGS

		Long	Short
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook FC	Negative	Negative
	Outlook LC	Negative	Negative
	Issue Rating	-	-
National	National Rating (Trk)	A-	A-1
	Outlook	Stable	Stable
	Issue Rating (Trk)	A-	A-1
Sponsor Support		3	-
Stand Alone		B	-

Sector: Intermediary Institutions
Report Date: 18/12/2019

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Press Release

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JCR Eurasia Rating evaluated **Tera Yatırım Menkul Değerler A.Ş. (Tera Yatırım)** and **the Current and Planned Bill Issuances** in an investment grade category in the periodic annual review and affirmed the ratings on the Long and Short-Term National Scales as **"A-(Trk)"** and **"A-1(Trk)"** respectively along with the **"Stable"** outlook on the Long-Term National Rating. On the other hand, On the other hand, the Long Term International Foreign and Local Currency Ratings have been re-assigned as **'BB'** based on JCR Eurasia Rating's updated mapping system whilst the outlooks were affirmed as **"Negative"** in line with the latest sovereign assessment of Japan Credit Rating agency dated 6 December 2019.

Established in 1990 under the name of Stok Menkul Değerler, Tera Yatırım adopted its current trade name in 2005 following the change in its shareholder structure and continued its operations as a "Broadly Authorised Intermediary Institution" from January, 2015 onwards. Within the scope of its current license, the Company offers services in the fields of execution of orders, transaction intermediation, portfolio intermediation, intermediation for public offerings (underwriting and best effort) and limited custody services and conducts it operations via its headquarters in Istanbul and liaison office in Antalya, having adopted a branchless business model focused on efficiency. In addition, the Company which diversified its revenue streams through the opening of representational offices and branches in different geographies and as such aims to offset the negative impact of volatility on local capital markets.

The Company maintained the stable growth in its operating volume and profitability through the intermediation of corporate finance transactions, however its internal equity generation capacity came under pressure stemming from rising financing expenses in line with rising borrowing costs. It is expected that it will maintain net profit generation in line with the recovery in economic activity in the 2H2019. The equity level which stands at a level in line with the sector averages via the support of retained profits was strengthened via the increase in paid-in capital. Bank affiliated intermediaries which enjoy economies of scale with respect to asset size, turn-over, net profit, customer access and operating expenses enjoy hold dominant position in the sector which contained 63 players of end June, 2019. The contraction of the Company's market share in the segments of equity and future trades volume characterised by low margins was maintained as it adopted a conservative growth model with a strategy focused on profitable growth. The Company supported its rising turnover with an opex that expanded below that of the sector average and as such differentiates itself from competitors across the non-bank affiliated segment through a high operating efficiency.

The increase in the quality of equity that has been achieved through the addition of retained profits to the paid-in capital, the improvement in profitability indicators recorded in the second half of the current fiscal year, granular customer portfolio, the contribution to asset quality from the collateralised trade receivables portfolio containing no impaired receivables, diversified financial resource composition through the successful maintenance of bill issuances despite market volatility, the know-how and established track record in the corporate finance market, presence of capital adequacy and liquidity indicators compliant with the reference values, diversified service provision and the synergy created via overseas activities constitute the principal factors underlying the affirmation of the Long Term National Ratings and outlook as **"A-(Trk)"** and **"Stable"**.

The improvement in the internal equity generation capacity and trends in the indicators of return on equity and assets in comparison to the sector average, the share of equity in the balance sheet composition, the impact of changes in the global risk appetite subject to political/economic developments on the Turkish Capital Markets, the level of financing expenses within the context of falling borrowing costs, the effect of the recovery in economic growth on transaction volumes in the capital markets, trend in equity levels and their adequacy and the progress in the level of compliance with Corporate Governance Practices comprise the major issues that will be monitored in the upcoming period. No separate rating report has been compiled for the issued bills as the resources obtained from the bill issue are carried in the Company's balance sheet and were subject to analysis in the corporate credit rating report. The bills issued carries no difference in comparison to the Company's other liabilities with regards to the legal and collateralisation perspective and as such the corporate ratings also reflect the issue rating.

Considering the Company's position in the financial intermediary institutions sector among non-bank affiliated players long operating track record, generated employment opportunities and the support for the equity level through retention of generated internal resources, it was reached that the qualified shareholders have the willingness to supply long term liquidity and equity to Tera Yatırım should the need arise. Within this scope, the **Sponsor Support Grade** of the Company has been affirmed as **(3)** on JCR Eurasia Rating's notation scale, indicating an adequate level. In addition, irrespective of the support provided at the shareholder level, taking into account the business model focused on operating efficiency, growth strategies, rising turn-over and capability to successfully compensate for the reduction FX income as a result of regulation, established customer base, successful completion of bill issuances, risk management practices along with the presence of a skilled management team, the Company is thought to have reached the necessary experience and infrastructure to manage the incurred risks on its balance sheet. Within this regard, the **Stand-Alone Grade** of Tera Yatırım has been affirmed as **(B)** on JCR Eurasia Rating's notation scale, indicating an adequate level.

For more information, you may visit our internet site http://www.jcrer.com.tr or contact our analyst **Mr. Dinçer SEMERCİLER**.

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