

Corporate Credit Rating

□New ⊠Update

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RATINGS

			Long Term	Short Term	
National	Local Rating		BBB (Trk)	A-3 (Trk)	
	Outlook		Stable	Stable	
	Issue Rating		BBB (Trk)	A-3 (Trk)	
International	Foreign Currency		BB	В	
	Local Currency		BB	В	
	Outlook	FC	Stable	Stable	
		LC	Stable	Stable	
Sponsor Support			2	-	
Stand-Alone			В	-	
Sovereign*	Foreign Currency		BB	-	
	Local Currency		BB	-	
	Outlook	FC	Stable	-	
		LC	Stable	-	
*Assigned by JCR on May 31, 2021					

Market Share (%) 0.83 0.63 0.56 0 Growth Rate (%) 355.18 -61.91 69.29 96.58 16.31 500 0 -500 ROAA (%) 1.96 2.09 10 1.45 0.55 0 -10 ROAE (%) 100 14.17 15.43 13.04 8.73 49.47 0 -100 NPL (%) 16.54 20 10.20 8.55 2.51 0 Equity/Assets (%) 17.28 20 .38 10.92 8.89 491 0 2016 2017 2018 2019 2020

ARENA FİNANS FAKTORİNG A.Ş.

JCR Eurasia Rating has evaluated the credit ratings of "Arena Finans Faktoring A.Ş." in an investment-grade category and assigned the ratings as "BBB (Trk)" on the Long-Term National Scale and as "A-3 (Trk)" on the Short-Term National Scale with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Ratings have been assigned as 'BB/Stable'.

Arena Finans Faktoring A.Ş. (hereinafter referred to as 'Arena Faktoring', or 'the Company') was founded in 2009 and acquired by the current shareholders in 2015. The Company operates through two offices, in Istanbul and Ankara, in addition to the headquarters in Istanbul. As a factoring services provider, Arena Faktoring's main operations include revocable factoring services, guaranteeing, intermediating to collection and consulting by purchase, sale, assignment or acquisition of the customer receivables based on invoices or other certifying documents representing the domestic or international commercial sales of goods and services. The sector is supervised by Banking Regulation and Supervision Agency of Turkey (BRSA) since 2006 and the market players are members of Associations of Financial Institutions, an umbrella organization for factoring, leasing and consumer finance companies.

The Tezmen Family is the primary shareholder of the Company, owning 90% of the total shares as of June 30,2021. The ownership structure of the Company is fairly stable. The Company maintains its operations by average workforce of 52 employees as of June 30, 2021 (FYE2020: 46; FYE2019: 38).

Key rating drivers, as strengths and constraints, are provided below.

Strengths	Constraints	
• Diversified borrowing profile through debt	• Despite improvement, still NPL ratio above	
security issuances contributing to borrowing	industry average pressuring asset quality,	
structure and relieving the liquidity,	• Ongoing profitability ratios below industry	
Well-diversified portfolio with manageable	average,	
customer concentration,	• OPEX partially suppressing profitability,	
• High level of provision mitigating potential losses,	• Low level of capital adequacy despite increase	
• Majority of the balance sheet items being	in paid-in capital,	
composed of earning assets contributing to revenue	• Short-term borrowing profile of the Sector,	
generation,	• Intensive competitive environment dominated	
• Experienced management team well organized	by bank-owned companies which have a	
management infrastructure.	comparative advantage with wide branch	
	networks and low borrowing costs.	

Considering the aforementioned points, the Long-Term National Rating of the Company has been assigned as **'BBB (Trk)'**. The Company's revenue generation capacity, asset quality, capital adequacy, leverage level, liquidity profile, net interest margin level, risk management implementations together with the general outlook of the sector are primary pillars of the rating and the outlooks for Long- and Short-Term National ratings are determined as **'Stable**'. JCR-ER will monitor the global and domestic macroeconomic indicators, Covid-19 pandemic and geopolitical risks-driven uncertainties and collection performance of problematic receivables and the NPL level.

JCR Eurasia Rating has maintained its opinion that, Tezmen Family has the principal shareholder status of the Company and has the willingness and capability to ensure long term liquidity, equity as well as provide efficient operational support to **"Arena Finans Faktoring A.Ş."** within its financial capability if required, when taking into consideration the Company's position achieved in its sector. In this scope, **"Sponsor Support"** category has been assigned as **(2)**, which denotes an adequate level.

Considering the Company's asset quality, equity structure, ease of access to funding sources, high provision and strong collateral level, organizational structure, management practices and development of existing risks in the markets and financial environment, we, as JCR Eurasia Rating, state the opinion that the Company has reached the level of sufficient experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the **"Stand-Alone"** grade of the Company has been assigned as **(B)** in the JCR Eurasia Rating notation system, indicating an adequate level.

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