

Corporate Credit Rating

New Update

Sector: Factoring

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	BBB (tr)	J2 (tr)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign *	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

Arena Finans Faktoring A.Ş.

JCR Eurasia Rating has evaluated "Arena Finans Faktoring A.Ş." in the investment-grade category, affirmed the Long-Term National Issuer Credit Rating as 'BBB (tr)' and the Short-Term National Issuer Credit Rating as 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Turkey.

Arena Finans Faktoring A.Ş. (hereinafter referred to as 'Arena Faktoring', or 'the Company') was established in 2009 and acquired by the current shareholders in 2015. The Company continues its operations through two offices in İstanbul and Ankara, in addition to the headquarter in İstanbul. As a factoring services provider, Arena Faktoring's 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.

Tezmen Family is the primary shareholder of the Company as of June 30, 2022. The Company maintains its operations by average workforce of 50 employees in FY2021 (FY2020: 46; FY2019: 38).

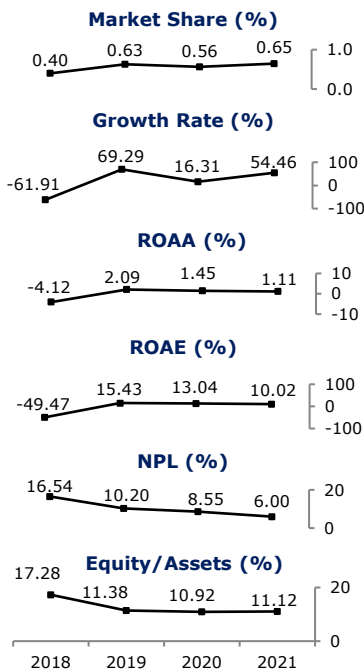
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Diversified funding structure through debt security issuances, providing financial flexibility,
- Stable net interest income generation capacity,
- Refactoring facility contributing volume growth,
- Manageable customer concentration risk supported with collateral mechanism,
- Experienced management team and low employee turnover rate.

Constraints

- Despite improvement, NPL ratios still exceeding the sector averages,
- Ongoing profitability ratios below the sector averages,
- Capital adequacy ratios standing below sector average despite being compatible with the requirements,
- Short-term borrowing profile in line with the sector,
- Intense competitive environment in the sector dominated by bank-owned companies which have comparative advantages with wide branch networks and lower borrowing costs.



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed as 'BBB (tr)'. The Company's revenue generation capacity, asset quality, capital adequacy, risk management infrastructure supported by internal control systems, high provision level, experienced management team together with the general outlook of the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's financial structure, attainability of the Company's budgeted projections, efficiency of investments, the possible impacts of the Russia-Ukraine War on the global and Turkey's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.