

## **Corporate Credit Rating**

□New ⊠Update

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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	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	BBB+(tr) (Stable)	J2(tr) (Stable)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign *	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-
* Assigned by JCR on August 18, 2022			

## Asset Market Share (%) 0.74 0.65 0.63 1 0.56 0 Growth Rate (%) 138.01 150 69.29 54.4 16.31 0 ROAA (%) 5 3.00 2.09 1.45 1.11 0 ROAE (%) 39.82 50 15.43 13.04 10.02 0 NPL Ratio (%) 20 10.20 8.55 6.00 3.41 0 Equity/Assets (%) 20 11.38 10.92 11.12 6.02 0 2019 2020 2022 2021

## Arena Finans Faktoring A.Ş.

JCR Eurasia Rating has evaluated **"Arena Finans Faktoring A.Ş."** in the investment level category, revised the Long-Term National Issuer Credit Rating from **'BBB (tr)'** to **'BBB+ (tr)'** and affirmed the Short-Term National Issuer Credit Rating at **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Local Currency Issuer Credit Ratings and outlooks were determined as **'BB/Negative'**, in line with the international ratings and outlooks of Republic of Türkiye.

**Arena Finans Faktoring A.Ş.** (hereinafter referred to as '**Arena Finans 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, Ankara and Bodrum, in addition to the headquarter in İstanbul. As a factoring services provider, Arena Finans Factoring'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 Türkiye (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, 2023. The Company maintains its operations by average workforce of 56 employees in FY2022 (FY2021: 50; FY2020: 46).

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

Strengths	Constraints	
<ul> <li>Sustainability of income and profit generation capacity,</li> <li>Diversified borrowing profile through debt security issuances providing financial flexibility,</li> <li>Reasonable collateral coverage in a certain extent diminishing the credit risk,</li> <li>Sustainable refactoring facility contributing volume growth,</li> <li>Experienced management team and well-organized risk management infrastructure.</li> </ul>	<ul> <li>Above sector averages NPL ratio despite decreasing trend over the reporting period,</li> <li>Despite improvement, ongoing profitability ratios standing below the sector averages,</li> <li>Capital adequacy ratios standing below sector average despite being compatible with the requirements,</li> <li>Short-term borrowing profile in parallel with the sector,</li> <li>High competition in the sector dominated by bank-owned factoring companies with wide</li> </ul>	
	branch network and lower borrowing costs,	

 Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned factors, the Company's the Long-Term National Issuer Credit Rating has been revised from **'BBB (tr)'** to **'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'**. Arena Finans Faktoring's turnover and asset development, attainability of the Company's budgeted projections, net interest margin trend, market share, profitability indicators, capitalization level, funding structure, the growth in the number of customers in the competitive market, improvements in receivable portfolio granularity to reduce the concentration exposure to be monitored by JCR Eurasia Rating.

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