

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	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	BBB+ (tr) (Stable)	J2(tr) (Stable)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign *	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

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 at 'BBB+ (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to sovereign 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 five offices in İstanbul, Ankara, Adana, İzmir and Bodrum, in addition to the headquarter in İstanbul. As a factoring services provider, Arena Finans 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 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, 2024. The Company maintains its operations by average workforce of 52 employees in FY2023 (FY2022: 56; FY2021: 50).

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

Strengths

- Diversified funding structure providing financial flexibility,
- Strong collateral coverage in a certain extent diminishing the credit risk,
- Sustainable refactoring facility contributing volume growth,
- The synergy created within the Tera Group,
- Manageable customer concentration risk,
- Experienced management team and well organized risk management infrastructure.

Constraints

- Negative net interest margin and decreasing other profitability ratios in FY2023,
- Despite decreasing trend over the reporting period, NPL ratios still exceeding the sector averages,
- Capital adequacy ratios standing far below sector average, despite being compatible with the legal requirements,
- Short-term borrowing profile in parallel with the sector,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned factors, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'BBB+ (tr)'. The Company's risk management infrastructure supported by internal control systems, experienced management team, NPL levels, sustainable income and profit generation capacity, internal resource generation capacity, provision level 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 Issuer Credit Ratings has been determined as "Stable". Arena Finans Faktoring's turnover and asset development, net interest margin trend, market share, profitability indicators, capitalization level, funding structure, the growth in the number of customers, the receivable portfolio, collection performance of problematic receivables and the general outlook of the sector are issues to be monitored by JCR Eurasia Rating.

