

Corporate Credit Rating

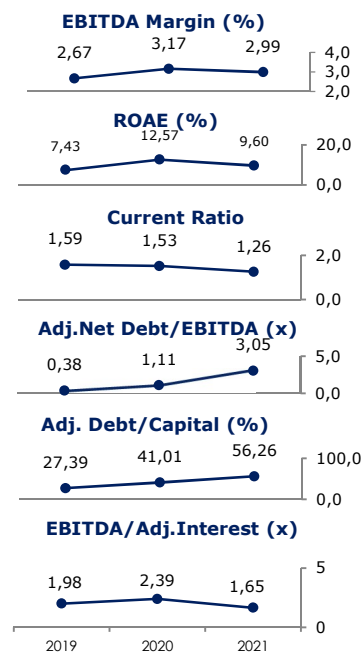
☐ New ☒ Update

Sector: IT Products Distribution

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RATINGS		Long Term	Short Term
	National ICR	AA-(tr)	J1+(tr)
ICRs (Issuer Credit Rating Profile)	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	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB Negative	-
	Local Currency	BB	-
	Currency	Negative	-

* Assigned by JCR on August 18, 2022



Arena Bilgisayar Sanayi ve Ticaret A.Ş. and Its Subsidiaries

JCR Eurasia Rating, has evaluated consolidated structure of **Arena Bilgisayar Sanayi ve Ticaret A.Ş.** in the investment-level category on the national scales and affirmed the Long-Term National Issuer Credit Rating at '**AA-(tr)**' and the Short-Term National Issuer Credit Rating at '**J1+ (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/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

Arena Bilgisayar Sanayi ve Ticaret A.Ş. (referred to as 'the Company' or 'Arena Bilgisayar') was incorporated in 1991 and engaged in the wholesale of personal computers, peripherals, consumer electronics and telecommunication devices. The Company purchases the merchandise from domestic and international suppliers and through its distribution network sells them to the customers in the domestic market and the Turkish Republic of Northern Cyprus. The Company's headquarter is located in İstanbul and has a branch in Ankara.

In November 2000, 15% of the Company's existing shares were offered to the public on the İstanbul Stock Exchange, public offerings continued afterwards and percentage of the shares offered to public as of FYE2021 and 1H2022 is 50.6%.

The major shareholder of Arena as of reporting date is Redington Turkey Holdings S.a.r.l. with 49.4% share while remaining part of its shares were publicly traded. The main shareholder, Redington, is the India's, Middle East's and Africa's leading technology products distributor and end-to-end supply chain manager and generates more than USD 7.9 billion of annual sales revenue. Redington, India headquartered company, provides over 230 international brands in IT and mobility fields and operates in 30 emerging markets, with experience lasting more than 25 years.

The Company and its subsidiaries, Arena International FZE, PayNet Ödeme Hizmetleri A.Ş., Online Elektronik Ticaret Hizmetleri A.Ş., Arena Mobile İletişim Hizmetleri ve Tüketici Elektroniği San.ve Tic.A.Ş., Paynet (Kıbrıs) Ödeme Hizmetleri Ltd, Brightstar Telekomünikasyon Dağıtım Ltd.(Brightstar Türkiye) and MPX İletişim ve Servis Ltd. will be referred to as 'the Group'.

The Group generated TRY6.07 bn consolidated sales revenue in 2021, by 19% YoY growth in TRY basis mainly stemming from increase in corporate segment.

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

Strengths

- Sustained operating profit and EBITDA margin over the analyzed years
- Strong distributorship agreements with worldwide recognized powerful brands, well diversified product range and strong position in the market
- Manageable foreign currency exposure through natural hedging and utilization of derivative instruments when necessary
- Strong demand to technology products within the digitalization environment
- Completion of Brightstar acquisition with aim of enhancing the sales network and support the improvement in business volume
- Asset structure dominated by current assets provides agility in operations
- Long experience and successful track record through professional management approach

Constraints

- Increase in leverage metrics in 2021 following the acquisition and business volume expansion
- Competitive market conditions effecting the profitability indicators in line with industry
- Import dependence on non-substituted high technology products portfolio
- Precautions announced by regulatory authorities such as measures on credit card instalment periods
- Ongoing global chip shortage stands out as a potential risk ahead for the Company and industry
- The geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at '**AA-(tr)**'. The Company's cash generation ability, experienced risk management practices, strong brand recognition and positions in sub-segments, along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle, 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 sustainability of profitability performance, sales growth and cash generation capacity, developments in the global economy, effects of the Covid-19 pandemic together with the trends in the industry will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.