

## Corporate Credit Rating

☑ New ☐ Update

Sector: IT Products

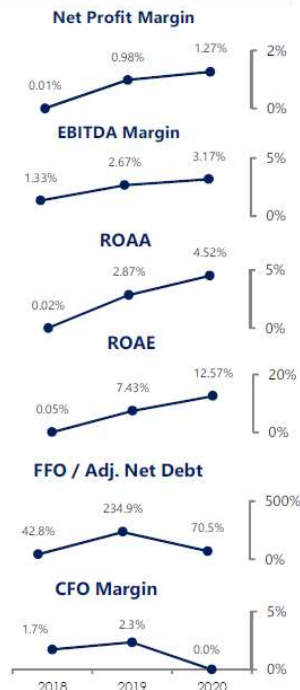
Distribution

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## RATINGS

		Long Term	Short Term
National	Local Rating	AA-(Trk)	A-1+(Trk)
	Outlook	Stable	Stable
	Foreign Currency	BB	B
International	Local Currency	BB	B
	Outlook	FC Stable	Stable
	Outlook	LC Stable	Stable
Sovereign*	Sponsor Support	1	-
	Stand-Alone	A	-
	Foreign Currency	BB	-
Sovereign*	Local Currency	BB	-
	Outlook	FC Stable	-
	Outlook	LC Stable	-

\*Assigned by JCR on May 31, 2021



## 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 investment-level category on the national scales and assigned the ratings on the Long-Term National Scale at 'AA-(Trk)' with 'Stable' outlook, and Long-Term International Scale as 'BB' with 'Stable' outlook.

Arena Bilgisayar Sanayi ve Ticaret A.Ş. (referred to as 'the Company' or 'Arena') engages in wholesale of personnel 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 domestic market as well as the Turkish Republic of Northern Cyprus. While the Company generated TRY 5,102 million of sales revenue in 2020, up by 66.0% YoY, sales to retail and mobile segmented customers' share in total recorded 26.1% and 23.6% respectively, followed by corporate with 20.9% share. The Company shares has been trading on the Borsa Istanbul since 2000, with the ticker symbol "ARENA". The Company was founded in 1991 and is headquartered in Istanbul with a staff force of 265 as of December, 2020 (December, 2019: 234).

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 billion of annual sales revenue. Redington, India headquartered company, provides over 235 international brands in IT and mobility fields and operates in 37 emerging markets, with experience lasting more than 25 years.

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

Strengths	Constraints
<ul style="list-style-type: none"> <li>Robust cash generation capacity backed by high receivable quality</li> <li>Steady improvement in operating profitability margins</li> <li>Limited foreign currency exposure through natural hedging and utilization of derivative instruments when necessary</li> <li>Revenue momentum to continue adding by solar equipment to the product portfolio as well as potential M&amp;A activities</li> <li>Asset-light business model provides resilience to the Company</li> <li>Diversified product range mitigates concentration risk</li> <li>Strong demand backed by accelerated pace of digitalization</li> </ul>	<ul style="list-style-type: none"> <li>Operating in a tough competitive market put pressure on profitability indicators in line with industry</li> <li>Global chip shortage stands out as a potential risk ahead for the Company and industry</li> <li>Measures on credit card installment periods taken by regulatory authorities</li> <li>Import dependence of product range</li> <li>Albeit the industry is Covid-19 resilient, pandemic on global and local economies overhang as a systematic risk</li> </ul>

Considering the aforementioned points, the Company's the Long Term National Rating has been assigned as 'AA-(Trk)'. The Company's steady improved operating profitability margins, immunity against FX losses, high liquidity metrics, strong cash generation capacity along with ongoing uncertainties due to the Covid-19 pandemic and global chip shortage have been evaluated as important indicators for the stability of the ratings and the outlooks for long and short-term national ratings are determined as 'Stable'. Sustainability of the Company's profitability performance, asset quality, liquidity structure, cash generation performance, term structure of liabilities, access to the external financial sources together with the trends in the industry are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

Main shareholder of the Company is considered to have the willingness and experience to ensure long-term liquidity and equity within its financial capability when required and to provide efficient operational support to Arena. In this regard, the Company's Sponsor Support Grade has been assigned as (1) in JCR Eurasia Rating's notation.

The Company's 'Stand-Alone Rating' has been constituted with respect to the Company's market shares, growth rates, asset quality, ongoing operations, liquidity reachability, internal resource generation capacity, equity structure, risk management practices and the development of existing risks in the markets and business environment. In this context, the Stand-Alone grade of the Company has been assigned at (A) in the JCR Eurasia Rating notation system.