Corporate
Credit Rating

☒New ☐Update

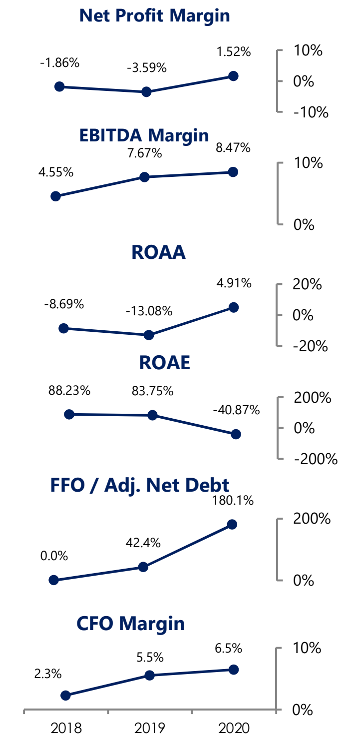
Sector: Consumer Electronics Retailing - TSS Channel
Publishing Date: 14/06/2021

Analyst
Abdullah DEMİRER
+90 212 352 56 73
abdullah.demirer@jcrer.com.tr

RATINGS

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

*Assigned by JCR on May 31, 2021



Teknosa İç ve Dış Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Teknosa İç ve Dış Ticaret A.Ş.** in investment-level category on the national scales and assigned the ratings on the Long-Term National Scale at **'A (Trk)'** with **'Stable'** outlook, and Long-Term International Scale as **'BB'** with **'Stable'** outlook.

Teknosa İç ve Dış Ticaret A.Ş. (referred to as 'the Company' or 'Teknosa') engages in retail sales of consumer electronics, imaging, information technology, telecom products and household appliances through its stores and website and air conditioners and white goods through its dealers. As of 2020 year-end, the Company operates in Turkey in 211 stores with 97k square meters retail space in 68 provinces. While the Company generated TRY 5,606 million of sales revenue in 2020, retail and e-commerce sales' share in total recorded 76.9% and 18.0% respectively. The Company shares has been trading on the Borsa Istanbul since 2012, with the ticker symbol "TKNSA". The Company was founded in 2000 and is headquartered in Istanbul with a staff force of 2,288 as of March, 2021 (December, 2020: 2,337).

The major shareholder of Teknosa as of reporting date is Hacı Ömer Sabancı Holding A.Ş. (Sabancı Holding) with slightly more than 50% share while remaining part of its shares were publicly traded. The main shareholder, Sabancı Holding, is one of Turkey's leading conglomerates with operations in the fields of banking, financial services, energy, industrials, building materials and retail through its subsidiaries and affiliates with high experience lasting more than 50 years.

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

Strengths	Constraints
• Strong cash generation capacity • Equity level expected to rise into positive territory through recent capital increase • Robust operating profit trajectory driven by transformation program • Omnichannel business model provides resilience for the Company • Strong demand backed by accelerated pace of digitalization • Long-lasting presence in the sector and successful track-record • Backed by Sabancı Group one of the most leading groups in Turkey • Potential contribution from ongoing marketplace investment	• Persistent net working capital deficit despite improvement in recent years • Unit cost price volatility may put pressure on profitability margins • Global chip shortage stands out as a potential risk ahead for the Company and industry • Measures on credit card installment periods taken by regulatory authorities • Import dependence of product range • Pandemic on global and local economies overhang as a systematic risk

Considering the aforementioned points, the Company's the Long Term National Rating has been assigned as **'A (Trk)'**. The Company's recently increased equity level, improvement of operating profitability level, strong cash generation capacity, capability to access funding resources 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 Teknosa. 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 **(AB)** in the JCR Eurasia Rating notation system.