Corporate Credit Rating

☐New ☒Update

Sector: IT Products Distribution
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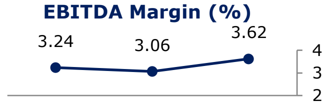
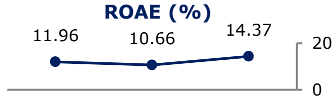
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA- (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB Negative	-
	Local Currency	BB Negative	-

** Assigned by JCR on August 18, 2022*

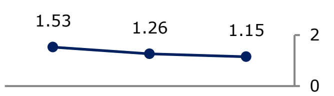
EBITDA Margin (%)



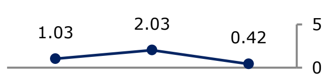
ROAE (%)



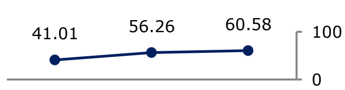
Current Ratio (x)



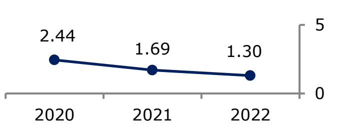
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Arena Bilgisayar Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated **Arena Bilgisayar Sanayi ve Ticaret A.Ş.** in the investment-level category on the national scale and affirmed its Long-Term National Issuer Credit Rating at **'AA- (tr)'** and 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 shares were offered to the public on the Borsa Istanbul with the ticker name "ARENA", public offerings continued afterwards and percentage of the shares offered to public as of reporting date 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 are 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 around USD 10 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's subsidiaries are as follows; 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 (Cyprus) Ödeme Hizmetleri Ltd, Arena Connect Ticaret (formerly Brightstar Türkiye) and Arena Connect İletişim (formerly MPX İletişim).

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

Strengths

- Robust growth in sales revenue and increase in EBITDA generation capacity in 2022 thanks to contribution from Arena Connect
- Significant improvement in financial leverage indicators in 2022, but slightly increased in 1H2023
- Sufficient level of liquidity metrics and asset-light business model provides resilience to the Company
- FX based revenue stream and utilization of derivative instruments mitigates foreign currency exposure
- Tough demand to technology products within the digitalization environment
- Strong distributorship agreements with worldwide recognized powerful brands, well diversified product range and strong position in the market
- Long lasting presence in the sector and compliance with corporate governance practices

Constraints

- Deterioration in the interest coverage ratio during the review period and maintained in 1H2023
- Downward trend in equity's share among total assets
- Operating in a highly competitive market pressurizes the profitability indicators in line with the industry
- Dependence on imports in the product range
- Measures implemented by regulatory authorities regarding credit card installment periods and VAT
- 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 points, the Company's Long-Term National Issuer Credit Rating has been affirmed at **'AA- (tr)'**. The Company's robust revenue growth, FX denominated revenue structure, strong market position, deterioration of interest coverage ratio, downward trend in equity's share along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions 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 revenue and profitability performance, debt structure, liquidity position and asset quality 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.