

Corporate Credit Rating

New Update

Sector: IT Products Distribution
Publishing Date: 28/09/2022

Chief Analyst

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

Senior Analyst

Özlem YAMANER
 +90 212 352 56 73
ozlem.ozsoyyamaner@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
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

Armada Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **Armada Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş.** in the investment-level category on the national scales and affirmed the Long-Term National Issuer Credit Rating at '**A (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.

Armada Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş. (referred to as 'the Company' or 'Armada') was incorporated in 1993 and engages in distribution of personnel computers, server, storage, virtualization, network communication, backup, business continuity, cloud computing technologies, unified communication, IP PBX, video conferencing, network security and infrastructure products, printers, portable data terminals, products and parts used by software and computer manufacturers during the production phase. The Company purchases the merchandise from domestic and international suppliers and through its distribution network sells them to the customers in domestic market. While the Company generated TRY 4,582 million of sales revenue in 2021, up by 48% YoY, almost all of the sales were realized in the corporate channel. The Company shares has been trading on the Borsa Istanbul since 2006, with the ticker symbol "ARMDA". The Company is headquartered in Istanbul with a staff force of 174 as of June, 2021 (December, 2021: 173).

The major shareholder of Armada as of reporting date is Aptec Holdings Limited, located in Dubai with 91.58% share while remaining part of its shares were publicly traded. The main shareholder, Aptec Holdings Limited is an Ingram Micro company. Ingram Micro Inc. is one of the global wholesale technology distribution companies operating in 59 countries with approximately 29k associates, 1,500 vendor partners and consolidated net sales exceeding USD 54.5 billion in 2021.

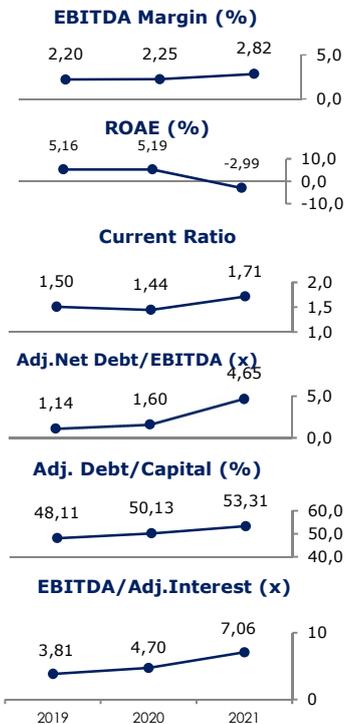
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Steady improvement in sales revenue 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
- Opportunity to access appropriate financial resources with favorable repayment structure
- Manageable foreign currency exposure through natural hedging and utilization of derivative instruments when necessary
- Sustained improvement in net working capital level
- Strong demand to technology products within the digitalization environment
- Long experience and successful track record

Constraints

- Competitive market conditions effecting the profitability indicators in line with industry
- Increase in leverage metrics in 2021 as a result of business volume expansion
- Import dependence on non-substituted high technology products portfolio
- Credit risk exposure due to high level of unsecured trade receivables
- 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 '**A (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.