

Corporate Credit Rating

New Update

Sector: Consumer Electronics
Retailing – TSS Channel

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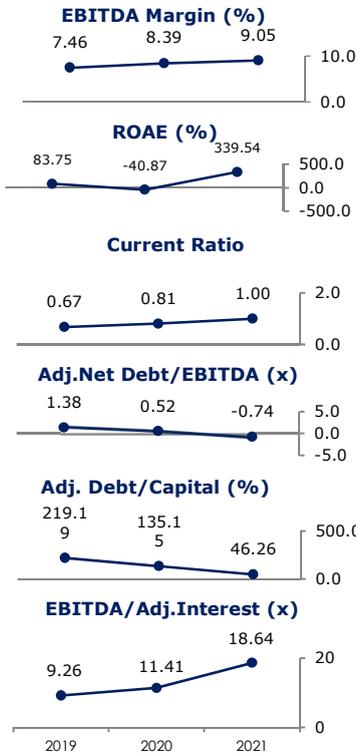
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AA-(tr)	J1+(tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (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 the investment-level category and upgraded the Long-Term National Issuer Credit Rating to 'AA-(tr)' from 'A (tr)' and assigned 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 ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Teknosa İç ve Dış Ticaret A.Ş. (referred to as 'the Company' or 'Teknosa') engages in retail sales of consumer electronics through its stores and website and air conditioners and white goods through its dealers. Moreover, the Company launched tech-focused marketplace project in early 2022. As of March, 2022, the Company operates with 198 stores in Turkey, similar with 2021 year-end figures. The Company generated TRY 7,520 million of sales revenue in 2021, shares of retail and e-commerce in total recorded as 79.4% and 14.4% respectively, followed by dealer segment with 6.2% share. 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 2,345 as of March, 2022 (December, 2021: 2,303).

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 around 55 years.

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

Strengths

- A solid balance sheet with net cash position
- Cash sales and high receivable quality stimulate the cash generation capacity
- Ongoing upward trend in sales revenue
- Steady improvement in EBITDA margin during review period but slightly declined in 1Q2022
- Strengthened equity level through both capital increase and net profits in the last consecutive two years
- Omnichannel structure provides resilience for the Company
- Long-lasting presence in the sector and successful track-record
- Backed by Sabancı Group one of the most experienced brands in Turkey
- High level of compliance with corporate governance practices owing to listed status

Constraints

- Operating with low level of net profit margins stemming from high level of financing expenses
- Ongoing global chip shortage stands out as a potential threat for the Company and industry
- Measures on imports and consumption (tax, installment restrictions, etc.) taken by regulatory authorities
- Import dependence of product range
- The geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty

Considering the aforementioned points together with synergy generated within Sabancı Group the Company's the Long-Term National Issuer Credit Rating has been upgraded to 'AA-(tr)'. The Company's strengthened equity level, strong cash generation capacity coupled with low credit risk and shareholder structure 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 profitability performance, debt level and cash generation capacity 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 frame about the sector will be monitored as well.