

Corporate Credit Rating

New Update

Sector: Wholesale Trading
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RATINGS

	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	-
	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

ARZUM ELEKTRİKLİ EV ALETLERİ SAN. VE TİC. A.Ş.

JCR Eurasia Rating, has evaluated the "Arzum Elektrikli Ev Aletleri San. Ve Tic. A.Ş." in investment-level category and assigned the Long-Term National Issuer Credit Rating as '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 Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Arzum Elektrikli Ev Aletleri San. Ve Tic. A.Ş. (hereinafter referred to as "the Company", "the Group" or "Arzum") was established in 1977 in the name of Güney İthalat Anonim Şirketi by Kazım Kolbaşı, Kemal Kolbaşı and İbrahim Kolbaşı. In 1993 and 2005, Arzum Dış Ticaret Anonim Şirketi ("Arzum Dış") and Felix Elektrikli Ev Aletleri Anonim Şirketi ("Felix") were established to sell the products of the Company, respectively. All companies were under the common control of Kolbaşı family. On 31 December 2007, the Company acquired the shares of both Arzum Dış and Felix. On 29 December 2008, the Company and its two subsidiaries were merged under one legal entity in the name of Arzum Elektrikli Ev Aletleri AŞ. On 14 April 2008 and 4 March 2009, 38% and 11% of the Company's shares were sold to Turkish Household Appliances BV ("Turkish Household"), respectively. On 9 December 2013, 49% of the Company held by Turkish Household Appliances BV ("Turkish Household") was sold to SDA International S.a.r.l (SDA International). In 2020, 47,51% share of SDA International was offered to the public.

The Group operates in the field of electrical appliances trades through wholesales, retailers, chain stores and e-commerce. The Group's products are generally divided into sub-categories such as but not limited to kitchen appliances (food preparation, cooking and frying, hot drink preparation), personal care (hair dryers, hair stylers) and electrical home appliances (iron, vacuum cleaner, heater-cooler) and so on. The head office of the Company is located in Eyüp, İstanbul and the average number of personnel employed within the Group is 160 at FYE2021 (FYE2020: 147). The Company has 2 warehouses which are located in Gebze and in Bayrampaşa/İstanbul. On the other hand, paid in capital of the Group amount to TRY 32.21mn at FYE2021 (FYE2020: TRY 32.21mn) and the shares of Arzum have been publicly traded on Borsa İstanbul (BIST) since 2020 with 'ARZUM' ticker. As of 30 September 2022, the Company has 49.00% of shares registered in BIST.

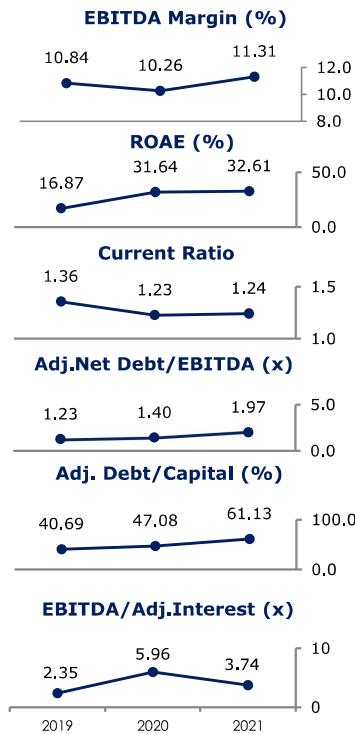
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Consistent profitability indicators and EBITDA generation capacity over the reviewed periods
- Moderate leverage profile underpinned by low level of net debt/EBITDA multiplier despite the slight increase in FY2021
- Supported asset quality thanks to low level of doubtful receivables
- Positive net working capital and adequate level of current ratio
- Advantages of the broad sales and after-sales service network and diversified product range with brand recognition
- Emphasis given to R&D, innovation, new market trends and sustainability
- High level of compliance with the corporate governance practices as a publicly listed company
- Long-lasting experience and successful track-record in the small home appliances industry

Constraints

- Short-term weighted financial structure pressuring the liquidity management
- The extension in the cash conversion cycle period and negative CFO and FOCF increasing external funding need for operational cycle
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections



Considering the aforementioned points, the Company's Long-Term National Issuer Credit Ratings has been assigned as 'A+ (tr)'. Consistent EBITDA generation capacity and profitability, positive net working capital, FX long position, level of indebtedness, having diversified products and strong sector experience and R&D operations and ongoing investments, flexible supply model may contribute to competitive advantage in the upcoming periods 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 growth strategy, financial leverages, profitability indicators, level of indebtedness 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.