

**Corporate Credit Rating  
(Update)**

**Wholesale Trade  
[Leather Footwear, Apparel & Accessories]**

| <b>DERIMOD</b>  |                  |    | Long Term | Short Term |
|-----------------|------------------|----|-----------|------------|
| International   | Foreign currency |    | BBB-      | A-3        |
|                 | Local currency   |    | BBB-      | A-3        |
|                 | Outlook          | FC | Stable    | Stable     |
|                 |                  | LC | Stable    | Stable     |
| Issue Rating    |                  | -  | -         |            |
| National        | Local Rating     |    | BBB       | A-3 (Trk)  |
|                 | Outlook          |    | Stable    | Stable     |
|                 | Issue Rating     |    | BBB       | A-3 (Trk)  |
| Sponsor Support |                  |    | 2         | -          |
| Stand Alone     |                  |    | B         | -          |
| Sovereign*      | Foreign currency |    | BBB-      | -          |
|                 | Local currency   |    | BBB-      | -          |
|                 | Outlook          | FC | Stable    | -          |
|                 |                  | LC | Stable    | -          |

\*Affirmed by Japan Credit Rating Agency, JCR on November 11, 2017

| <b>Derimod Konfeksiyon Ayakkabı Deri San. ve Tic. A.Ş.</b> |          |         |         |         |         |
|--|----------|---------|---------|---------|---------|
| Financial Data   | 2017/9** | 2016*   | 2015*   | 2014*   | 2013*   |
| Total Assets (000 USD)                                     | 83,900   | 67,123  | 68,745  | 57,239  | 59,310  |
| Total Assets (000 TRY)                                     | 298,020  | 236,221 | 199,884 | 132,731 | 126,585 |
| Equity (000 TRY)   | 44,035   | 42,719  | 36,821  | 31,155  | 28,109  |
| Net Profit (000 TRY)                                       | -422     | 3,381   | 5,225   | 2,525   | 2,053   |
| Sales (000 TRY)  | 161,067  | 209,157 | 204,399 | 155,787 | 172,387 |
| Net Profit Margin (%)                                      | -0.26    | 1.62    | 2.56    | 1.62    | 1.19    |
| ROAA (%)   | 0.02     | 1.98    | 3.96    | 2.56    | 2.53    |
| ROAE (%)   | 0.10     | 10.85   | 19.38   | 11.21   | 10.81   |
| Equity / Total Assets (%)                                  | 14.78    | 18.08   | 18.42   | 23.47   | 22.21   |
| Net Working Capital / T. Assets (%)                        | 31.38    | 18.91   | 33.76   | 29.55   | 31.03   |
| Debt Ratio (%)   | 85.22    | 81.92   | 81.58   | 76.53   | 77.79   |
| Asset Growth Rate (%)                                      | 26.16    | 18.18   | 50.59   | 4.85    | 24.54   |

\* End of year \*\* End of period

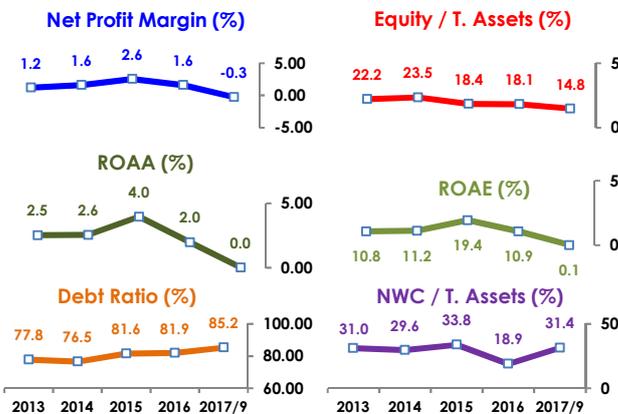
**Overview**

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Derimod Konfeksiyon Ayakkabı Deri San. ve Tic. A.Ş. (Derimod, the Company) serves as the supplier of the "Derimod" group companies and brand. The Company provides its sister company, Derimod Deri Konfeksiyon Paz. San. ve Tic. A.Ş. (Derimod Pazarlama) with leather footwear, apparel, purses and accessories. Derimod Pazarlama in turns sells the merchandise via its retail branch network and online sales channels. Founded more than 40 years ago, Derimod is among the leading leather fashion companies in Turkey with an increasing presence in the nearby region.

Derimod Group maintains a prominent market position in Turkey and has established different business models to grow in Russia and Middle East. Within the scope of this expansion, Derimod Group has leased stores in Russian market and adopted a franchise system in Saudi Arabia and Iran.

The Group maintains a "fast-fashion" business model, renewing the inventory in rapid pace to satisfy the customer needs. Restrictive measures to protect domestic leather shoe producers as in additional customs duties and testing requirements induced the Group to supply merchandise from local producers.



**Strengths**

- Consistent revenue streams despite pressures on consumer confidence
- Absence of FX borrowing, limiting the impact of sharp currency fluctuations
- Reasonable EBTIDA margin and end-consumer sales performance of the Group
- Long-term oriented financial borrowing structure diversified with bond issuances
- Strong brand recognition name and market presence
- Status as a Turquality program beneficiary, granting financial and operational advantages with respect to international investments

**Constraints**

- Increasing leverage level pressurizing the financial standing
- Negative cash cycle gap due to shorter payable periods, sporadically alleviated with the dynamic fund management of the Group
- High-cost factoring borrowings, reducing the net profit margin
- Rising interest expenses as the external funding increases
- Strong competitive forces in the sector, pressurizing pricing policies, necessitating sizable marketing budgets within the Group
- Headwinds concerning the international expansion investments due to regional turmoil and political tension among Middle Eastern countries