

Corporate Credit & Issue Rating

New Update

Sector: Grocery Retail
 Publishing Date: Apr.25, 2018

Head of Group

Zeki M ÇOKTAN
 +90 212 352 56 73
 zeki.coktan@jcrer.com.tr

RATINGS

		LT	ST	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Issue Rating	-	-	
National	Local Rating	A-(Trk)	A-1(Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support		2	-	
Stand-Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
LC		Stable	-	

*Affirmed by JCR on November 10, 2017

Adese Alışveriş Merkezleri Ticaret A.Ş.

Company Overview

Financial Data	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	296,229	275,261	296,744	333,811	309,894
Total Assets (000 TRY)	1,128,751	972,168	862,814	774,075	661,407
Equity (000 TRY)	562,909	475,323	443,901	399,738	369,693
Net Profit (000 TRY)	43,923	31,657	51,208	18,476	17,358
Net Sales (000 TRY)	693,501	649,314	642,891	609,265	588,506
Net Profit Margin (%)	6.33	4.88	7.97	3.03	2.95
ROAA (%)	5.16	4.68	7.62	3.57	3.25
ROAE (%)	10.44	9.34	14.79	6.66	5.82
Equity / Total Assets (%)	49.87	48.89	51.45	51.64	55.89
Net Working Capital / T. Assets (%)	-5.51	-1.91	5.53	1.01	3.33
Net Debt / EBITDA (X)	1.87	2.77	1.84	3.25	2.21
Asset Growth Rate (%)	16.11	12.67	11.46	17.03	6.84

* Year end audited figures

'Adese Alışveriş Merkezleri Ticaret A.Ş.', (hereinafter referred to as 'Adese' or 'the Company') was established by İttifak Holding (rated by JCR ER with 'BBB-(Trk)' at the National scale on October 23, 2017) in 1991 (and acquired its current title in 1993) as the Group's national retail brand and is one of the well-known grocery chains in Turkey. The Company operated 155 stores in 8 cities in Anatolia as at the end of December, 2017 under 'Adese' (108), 'Adesem' (38) and other (9) titles.

Adese operated within a total gross operational area of 144,747 sq. m with a staff force of 2,306 as of FYE2017 (FYE2016: 157,584 sq.m and 2,445, respectively). In addition to store-based revenues, the Company also receives rental revenues through its investment properties (Kule Site AVM and Ereğli Park Site AVM in Konya) and a leased property (Keçiören Park Site AVM in Ankara).

The major qualifying shareholder of Adese is İttifak Holding (46.72% share). Other Group companies titled Big Planlama Yönetim ve Müş. A.Ş. and Seha İnş.Muh.Müt.Mad.San.Tic.A.Ş. hold 14.98% and 8.91% shares, respectively while 29.39% of its shares are publicly traded. Public trading began on the Borsa İstanbul (BiST) under the ticker symbol "ADESE" on November 3, 2011. Adese is headquartered in Konya with a staff force of 2,356 as of September 30, 2017 (FYE2016: 2,445).

Strengths

- Revenue streams with predictable components through large amounts of investment property
- Multi-format status together with wide range of private label products offered easing competitive pressures
- Sector demand to be fuelled in the long term by shift towards organized retailers from smaller independents, disengagement by international retailers, resistance against volatilities and e-commerce opportunities
- Potential for parental support by major shareholder's activities in diverse fields
- Experienced management team and shareholders with long business track in the sector
- Improved corporate governance compliance level thanks to its publicly-traded company status

Constraints

- Declining net working capital indicators
- Pressure on margins regarding its scale
- Level of sales growth lagging behind asset growth rates though mitigated to an extent by rental income
- Financial risk indicators required to improve to correspond to its notching category
- High level of related-party-receivables and declining current assets exerting pressure on maintenance of asset quality
- Activities confined to a limited geography despite regional market influence
- Adversities to be exerted on debt-servicing accompanied by weakened demand and rising unemployment though partially eased by counter-cyclical fiscal stimulus package

