

Corporate Credit & Issue Rating

New Update

Sector: Pharmaceuticals
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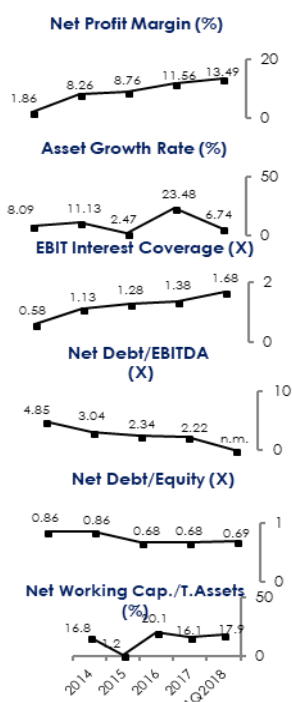
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RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Stable	Stable
		LC Stable	Stable
National	Issue Rating	-	-
	Local Rating (Trk)	A+	A-1
	Outlook	Stable	Stable
Sovereign*	Issue Rating (Trk)	A+	A-1
	Sponsor Support	2	-
	Stand-Alone	AB	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC Stable	-
	LC Stable	-	-

*Affirmed by JCR on November 10, 2017



Deva Holding A.Ş.

Financial Data	1Q2018**	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	339,608	333,097	289,136	341,502	385,326	387,306
Total Assets (000 TRY)	1,341,080	1,256,407	1,017,527	992,952	893,532	826,627
Equity (000 TRY)	639,276	605,090	512,848	453,112	411,909	403,050
Net Profit (000 TRY)	34,631	92,543	60,331	47,619	8,702	24,589
Sales (000 TRY)	254,696	800,295	688,456	576,380	467,940	418,391
ROAA (%)	n.m.	8.32	7.16	5.48	0.59	3.11
ROAE (%)	n.m.	16.92	14.90	11.95	1.24	6.17
Net Debt/EBITDA (X)	n.m.	2.22	2.34	3.04	4.85	3.39
Net Debt/Equity (X)	0.69	0.68	0.68	0.86	0.86	0.73
EBIT Interest Coverage (X)	1.68	1.38	1.28	1.13	0.58	0.79
Equity/Total Assets (%)	47.67	48.16	50.40	45.63	46.10	48.76
Net Working Capital/T. Assets (%)	17.79	16.14	20.07	1.24	16.80	21.39
Debt Ratio (%)	52.33	51.84	49.60	54.37	53.90	51.24
Asset Growth Rate (%)	6.74	23.48	2.47	11.13	8.09	14.29

*End of year, **1st quarter results

Company Overview

With a track record dating back to 1958, “Deva Holding A.Ş.” (hereinafter referred to as ‘Deva Holding’ or ‘the Group’) is one of the leading companies in Turkey’s pharmaceutical sector with listed shares on the Borsa Istanbul (BIST) index since 1986, along with international operations through its 4 subsidiaries (Devatis Ltd, Devatis GmbH, Devatis AG and Devatis Inc.) in various developed markets.

The Company carries out its manufacturing activities through 3 different production facilities namely the Çerkezköy I-II and Kartepe plants, all of which comply GMP standards whilst the combined annual production capacity stands at 515 million boxes. The Group has a well-diversified product portfolio across 13 different therapeutic areas with more than 500 licenses in markets such as the USA, Switzerland, Germany, Netherlands and France. Deva Holding ranked in the 2nd and 10th positions in the overall market respectively based on sales on a box units and TRY terms in 2017 according to IMS Health data. The first exports to the United States took place in FY2017 along with the establishment of a new logistics center, the largest of its kind in Turkey, expected to be operationalized in the near future.

Headquartered in Istanbul, the Group employed 2,202 personnel across its operations as of end March, 2018. (FY2016: 1,874). There was no change in the shareholder structure in the completed financial year with Luxembourg based Eastpharma S.A.R.L and ultimately LSE listed EastPharma Ltd as the qualified shareholder holding 82.20% of shares with the remaining 17.80% of shares listed on the BIST index under the ticker symbol of “DEVA”.

Strengths

- Maintenance of the upward trend in profitability metrics throughout the completed fiscal year and the 1Q2018
- High share of equity in the funding of Company operations along with low level of financial leverage
- Operational track record and established market share in TRY and unit boxes sales terms strengthening sustainability of cash flows
- Well-diversified product portfolio across different therapeutic segments along with rising level of exports driven by compliance with internationally recognized quality standards
- Market dynamics driving the growth of the Turkish pharmaceutical industry in the medium and long-term
- High level of compliance with Corporate Governance Practices stemming from listed status in comparison to competitors

Constraints

- Increase in the share of short-term financial liabilities in the examined period to be improved by the recently completed bond issuance
- Rise in operating expenses in FY2017 largely driven by the expansion of R&D spending in relation to cancelled projects, inherent feature of pharmaceutical manufacturing
- Dependence on imports for raw material requirements across the sector contributing to the cost-base in the current context of TRY depreciation
- Reference pricing system and the cost-containment measures by the government with negative impact on sector margins
- Increase in borrowing costs driven by domestic economic and political uncertainty along with the implementation of monetary tightening policies in developed markets