

Corporate Credit & Issue Rating

New Update

Sector: Logistics/Transportation
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RATINGS

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

*Affirmed by JCR on August 14, 2018

Netlog Lojistik Hizmetleri A.Ş.

Financial Data	1H2018**	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	319,520	301,206	303,439	316,499	344,691	208,194
Total Assets (000 TRY)	1,457,235	1,136,119	1,067,863	920,253	799,304	444,349
Equity (000 TRY)	442,942	167,173	176,341	161,298	128,108	56,355
Net Profit (000 TRY)	59,952	5,421	11,606	-18,027	16,213	-10,402
Sales (000 TRY)	1,542,430	2,358,533	1,841,635	1,569,737	1,326,924	769,284
Net Profit Margin (%)	3.15	0.23	0.63	-1.15	1.22	-1.35
ROAA (%)	n.a.	2.07	2.29	-1.54	3.49	-2.48
ROAE (%)	n.a.	13.28	13.51	-9.16	23.55	-20.85
Equity / Total Assets (%)	30.40	14.71	16.51	17.53	16.03	12.68
Net Working Capital / T. Assets (%)	6.51	3.08	-12.92	2.27	-16.84	-24.26
Debt Ratio (%)	69.60	85.29	83.49	82.47	83.97	87.32
Asset Growth Rate (%)	n.a.	6.39	16.04	15.13	79.88	72.50

*End of year,**unaudited combined results compliant with TPL

Company Overview

With roots dating back to 1981, Netlog Lojistik Hizmetleri A.Ş. established in 2005 (referred to as the Company, or Netlog Lojistik) is the parent company of the **Netlog Logistics Group** (the Group) which is the leading Company in its respective sector in Turkey whilst having maintained a sustained expansion momentum in the EMEA region through organic growth and acquisitions.

With a total fleet size of nearly 3,500 vehicles and presence in 6 countries, the Group provides the full spectrum of logistics services including integrated logistics, global freight and procurement solutions principally across the food & beverages, fashion, retail & FMCG, industrial goods, automotive, consumer electronics sectors. The Group developed specialist expertise in the fields of cold-chain, temperature controlled, textile and retail logistics.

In line with the sustained growth observed in the operational volume of Netlog Lojistik and the wider Turkish logistics sector, shares corresponding to 21.06% of the Company's paid-in capital were acquired by TurkLogistics B.V. representing MENA focused Abraaj Private Equity in July 2017 whilst the ÇAK FAMILY continues to be the qualified shareholders with a rate of 76.97%. Headquartered in Istanbul, the Company employed 7,150 personnel across its operations of which 5,200 are based in Turkey with 1,950 based overseas.

Strengths

- Maintenance of operational volume growth in the completed financial year and the 1H2018 supported by cash flow visibility
- Ongoing improvement in financial leverage levels and debt maturity with positive impact on net working capital levels
- Leading market share in Turkey along with growing presence in the EMEA region supported by private-equity backed shareholder structure
- Diversified customer base and service provision with know-how in specialist logistics segments
- Abundance of hard currency revenues through exports providing a natural hedge against FX risk in the current context of high market volatility
- Expansion potential of the Turkish logistics in relation to developed markets in the medium and long-term

Constraints

- High level of operating expenses inherent in the sector exerting pressure on core operating profitability despite the improving trend y-o-y
- Rise in financing expenses along with exposure to FX debt in the current context of high market volatility and TRY devaluation with the potential to erode TRY based profitability figures
- Possibility of rising trade tensions and tariffs putting global trade growth at risk with potentially negative consequences for the logistics industry
- Increase in geo-political risk levels, high inflation and TRY depreciation exerting upward pressure on the cost of borrowing with negative impact on consumer spending dependent sectors
- Improvement needs in compliance with Corporate Governance Practices given the Group's sheer size and complexity and international nature of operations

