JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Corporate Credit & Issue Rating

☐New ☒Update

Sector: Pharmaceuticals
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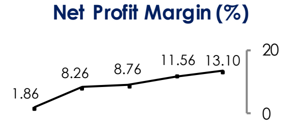
RATINGS

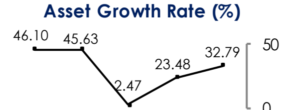
			Long	Short
International	Foreign Currency		BBB-	A-3
International	Local Currency		BBB-	A-3
International	Outlook	FC	Negt.	Negt.
International	Outlook	LC	Negt.	Negt.
International	Issue Rating		-	-
National	Local Rating (Trk)		A+	A-1
National	Outlook		Post.	Stable
National	Issue Rating (Trk)		A+	A-1
Sponsor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

*Affirmed by JCR on November 27, 2018

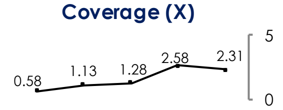
Net Profit Margin (%)



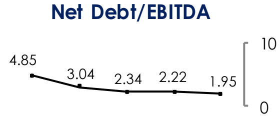
Asset Growth Rate (%)



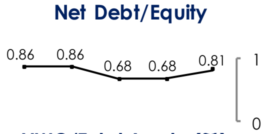
EBIT Interest Coverage (X)



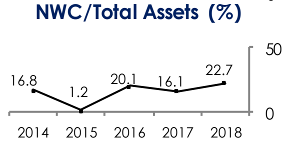
Net Debt/EBITDA



Net Debt/Equity



NWC/Total Assets (%)



Deva Holding A.Ş.

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	317,140	333,097	289,136	341,502	385,326
Total Assets (000 TRY)	1,668,440	1,256,407	1,017,527	992,952	893,532
Equity (000 TRY)	746,408	605,090	512,848	453,112	411,909
Net Profit (000 TRY)	136,361	92,543	60,331	47,619	8,702
Sales (000 TRY)	1,040,677	800,295	688,456	576,380	467,940
Net Profit Margin (%)	13.10	11.56	8.76	8.26	1.86
ROAA (%)	10.67	8.32	7.16	5.48	0.59
ROAE (%)	23.08	16.92	14.90	11.95	1.24
Net Debt/EBITDA	1.95	2.22	2.34	3.04	4.85
Net Debt/Equity	0.81	0.68	0.68	0.86	0.86
EBIT Interest Coverage	2.31	2.58	1.28	1.13	0.58
Equity / Total Assets (%)	44.74	48.16	50.40	45.63	46.10
Net Working Capital / T. Assets (%)	22.67	16.14	20.07	1.24	16.80
Debt Ratio (%)	55.26	51.84	49.60	54.37	53.90
Asset Growth Rate (%)	32.79	23.48	2.47	11.13	8.09

**End of year*

Company Overview

With an operating history 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 industry through the provision of more than 600 products across 13 different therapeutic fields with an annual production capacity of 515 million boxes.

The manufacturing activities are carried out across 3 different plants including Çerkezköy I and II and Kartepe, compliant with GMP standards. In addition to the domestic market, from which the Group derives the majority of its revenues, through its subsidiaries of Devatis Ltd, Devatis GmbH, Devatis AG and Devatis Inc it has focused on entry into new markets and increasing exports in recent years. According to IQVIA data as of FYE2018, the Company preserved its ranking in the 2nd position with respect to sales on a unit box basis and was ranked in the 7th position regarding sales on a TRY basis. Devatis AG, established in Switzerland began operations following license approval, with the completion of the largest logistics center of the sector in FY2018. In order to maintain its competitive position, the Group places a high level of emphasis on R&D activity and collaborates with academic/scientific institutions with a growing focus on biotechnology.

Headquartered in Istanbul, the average number of personnel employed across Group operations amounted to 2,176 at FYE2018 (FYE2017: 2,036) with approximately 160 personnel enrolled in the R&D function. The Luxembourg based Eastpharma S.A.R.L. and ultimately LSE listed EastPharma Ltd is the qualified shareholder of the Group with a rate of 82.20% whilst the remaining 17.80% of shares are listed on the BIST (Borsa Istanbul) index since 1986 under the ticker symbol of **"DEVA"**.

Strengths

- Maintenance of sound operating volume growth in the completed fiscal year despite challenging domestic market conditions
- Notable increase in gross margin due to focus on higher margin products driving the rise in profitability indicators
- High level of equity despite the declining trend associated with operational expansion along with low net financial leverage to EBITDA
- Significant market share in TRY and unit box sales terms supported by highly dispersed revenue composition across different therapeutic areas
- Long FX position supported by rising export revenue performance creating a natural hedge mechanism in the current context
- Domestic pharmaceutical market dynamics and state incentives conducive to growth in the medium and long-term

Constraints

- Significant rise in inventory levels in the completed financial year with an improving trend in FY2019
- Despite the reduction in leverage indicators, notable increase in financing expenses exerting pressure on higher levels of net profit generation
- High level of import-dependence for drug raw materials placing upward pressure on the cost base through notable TRY devaluation in the 2H2018
- Inability of the reference pricing mechanisms to reflect rises in the EUR/TRY parity over an extended period
- Tightening global liquidity conditions along with high levels of domestic inflation creating upward pressure on borrowing costs