

Corporate Credit &
Issue Rating

New Update

Sector: Electronics
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RATINGS

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

*Affirmed by JCR on December 6, 2019

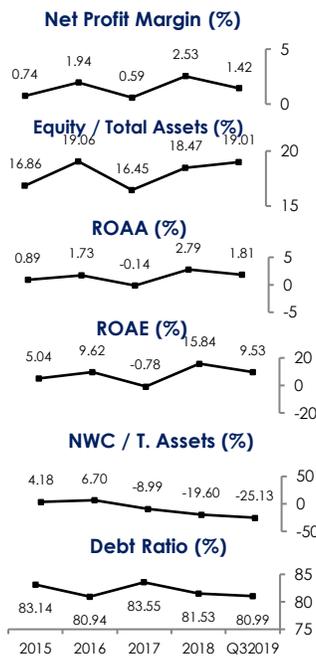
Vestel Elektronik Sanayi ve Ticaret A.Ş.
Company Overview

| Financial Data | Q32019 | 2018* | 2017* | 2016* | 2015* |
|---------------------------|------------|------------|------------|-----------|-----------|
| Total Assets (000 USD) | 3,301,705 | 3,414,021 | 3,670,739 | 2,742,446 | 3,210,878 |
| Total Assets (000 TRY) | 18,684,678 | 17,960,822 | 13,845,661 | 9,651,215 | 9,335,949 |
| Equity (000 TRY) | 3,551,596 | 3,318,255 | 2,278,028 | 1,839,125 | 1,573,808 |
| Net Profit (000 TRY) | 170,617 | 400,886 | 71,341 | 184,761 | 68,577 |
| Sales (000 TRY) | 12,006,532 | 15,852,300 | 12,100,938 | 9,540,494 | 9,250,461 |
| EBITDA (000 TRY) | 1,354,505 | 938,857 | 803,302 | 691,093 | 607,534 |
| Net Profit Margin (%) | 1.42 | 2.53 | 0.59 | 1.94 | 0.74 |
| ROAA (%)** | 1.81 | 2.79 | -0.14 | 1.73 | 0.89 |
| ROAE (%)** | 9.53 | 15.84 | -0.78 | 9.62 | 5.04 |
| Equity / Total Assets (%) | 19.01 | 18.47 | 16.45 | 19.06 | 16.86 |
| NWC / T. Assets (%) | -25.13 | -19.60 | -8.99 | 6.70 | 4.18 |
| Debt Ratio (%) | 80.99 | 81.53 | 83.55 | 80.94 | 83.14 |
| Asset Growth Rate (%) | 4.03 | 29.72 | 43.46 | 3.38 | 27.52 |

*End of year, **E2019

Vestel Elektronik Sanayi ve Ticaret A.Ş., (hereinafter referred to as “Vestel”, “the Group” or “the Company”) was established in 1983, manufactures and sells consumer electronics and household appliances. The Company shares have been traded on the Borsa Istanbul (BIST) index since 27 June 1990 with a current free-float rate of 35.59% (including those held by Zorlu Holding A.Ş.). The share of the Zorlu Holding in the Company’s ownership structure stood at 73.66% as of 4 December 2019. The Company was included in the BIST Sustainability Index in November, 2015 for the first time and sustained this status for five consecutive years. The Company has also been included in the BIST Corporate Governance Index since 2015. Vestel undertakes the majority of its manufacturing activities at Vestel City, the largest industrial complex in Europe in a single location with an area of 1.1mn square meters. Vestel is one of the 3 largest manufacturers of the TV market and among the 5 largest producers of household appliances across Europe.

The Company carried out its operations principally in the fields of white goods and electronics segments and recently added the mining & metallurgy segment through the acquisition of 50% of Meta Nikel in 2018. In addition, it has formed partnerships with the leading domestic institutions for Turkey’s national automobile project. As of 30 September 2019, the total consolidated turnover of the Company was TRY 12,007mn and nearly 75% of it was derived from exports principally from Europe. The number of personnel employed across operations was 16,682 (FYE2018: 16,125).



Strengths

- Constant growth in net sales and satisfactory gross profit margin contributing to sustainability and internal resource generation
- Diversified income streams supported by wide range of products and presence in different geographies mitigating risk levels
- Export oriented production structure as the leading exporter in its sector and ranked 7th in Turkey’s largest exporters list with an export figure of USD 2,255mn at FYE2018
- High level of emphasis on innovation and R&D activities creating a competitive advantage
- Established brand-names and high market shares in the principle operating fields
- Implementation of sustainability policies in line with Smart Life 2030 Vision to build a smarter future
- Sound international standing resulting from sales to 155 export markets and 11 foreign trade companies in in Europe and UAE

Constraints

- Heavy reliance on short term funding sources
- Low debt service coverage capacity resulting in a high debt level
- Presence of a short foreign currency position, though stood at manageable level
- Net working capital deficit
- Almost 1/3 of the equity derived from revaluation gains, which does not reduce the funding needs,
- High off-balance sheet commitment and contingencies exposure
- Despite slight recovery in the fourth quarter of ongoing year and higher growth expectation in future year, ongoing regional tensions and developments in the international arena supporting persistent challenging market conditions