

Corporate Credit & Issue Rating

New Update

Sector: Pharmaceuticals
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RATINGS

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

*Assigned by JCR on April 10, 2020

Deva Holding A.Ş.

Financial Data	2019*	2018*	2017*	2016*	2015*
Total Assets (000 USD)	356,807	317,140	333,097	289,136	341,502
Total Assets (000 TRY)	2,119,502	1,668,440	1,256,407	1,017,527	992,952
Equity (000 TRY)	1,030,842	746,408	605,090	512,848	453,112
Net Profit (000 TRY)	286,016	136,361	92,543	60,331	47,619
Sales (000 TRY)	1,373,984	1,040,677	800,295	688,456	576,380
Net Profit Margin (%)	20.82	13.10	11.56	8.76	8.26
ROAA (%)	14.82	10.67	8.32	7.16	5.48
ROAE (%)	31.59	23.08	16.92	14.90	11.95
Net Debt/EBITDA	1.12	1.95	2.22	2.34	3.04
Net Debt/Equity	0.51	0.81	0.68	0.68	0.86
EBIT Interest Coverage	2.94	2.31	2.58	1.28	1.13
Equity / Total Assets (%)	48.64	44.74	48.16	50.40	45.63
Net Working Capital / T. Assets (%)	26.93	22.67	16.14	20.07	1.24
Debt Ratio (%)	51.36	55.26	51.84	49.60	54.37
Asset Growth Rate (%)	27.03	32.79	23.48	2.47	11.13

*End of year

Company Overview

Established in 1958, "Deva Holding A.Ş." (hereinafter referred to as 'Deva Holding' or 'the Group') maintained a sustained growth trend and is among the leading players in Turkey's pharmaceutical industry, with a diversified product offering across wide-ranging therapeutic fields and annual production capacity of 578 million boxes through its 3 manufacturing plants located in Çerkezköy and Kartepe, all of which are compliant with GMP standards.

Based on IQVIA data as of FYE2019, the Company maintained its ranking in the market in the 2nd and 7th places with respect to sales on a unit box and TRY basis. In addition to its stronghold in the domestic market, the Group strengthened its overseas operations through its subsidiaries and has a portfolio of more than 700 licenses in over 60 countries. Within this context, it began exports to Switzerland and established Devatis de Mexico to investigate opportunities in the Latam market. In addition, the Company maintains contract manufacturing agreements with numerous multi-national players given its track record and emphasis on quality management. Under DevArge, which houses the R&D facilities, the Company employs nearly 190 personnel and is ranked 1st among the sector with respect to R&D spending as of FYE2018.

Headquartered in Istanbul, the average number of personnel employed across Group operations amounted to 2,252 at FYE2019 (FYE2017: 2,176). The Luxembourg based Eastpharma S.A.R.L. and ultimately 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

- Strong share in the intensely competitive domestic market housing multi-national players
- Maintenance of the upward trend in profitability indicators throughout FY2019 supported by low net financial leverage levels
- Resilient revenue growth performance enabled by a diversified therapeutic portfolio in FY2019 and reduced susceptibility to the impact of the Covid-19 outbreak in relation to other industries
- Long FX position within the current context of high market volatility supported by well-sustained export performance through entry into new markets
- Attained know-how in R&D and emphasis on compliance with international quality standards
- Competitive advantage through listed structure along with established track record of capital market instrument issuances in relation to sectoral peers

Constraints

- High level of volatility and recessionary pressures exerted by the ongoing Covid-19 pandemic in the global and domestic economy
- Import dependence on raw material requirements coupled with the low levels of R&D investment across the sector
- Negative impact on profitability of state intervention in the market with respect to reference pricing mechanisms and discount policies for surplus drugs
- Low level of Turkish per capita healthcare & pharmaceutical spending in relation to OECD countries

