

Corporate Credit & Issue Rating

New Update

Sector: Electronics

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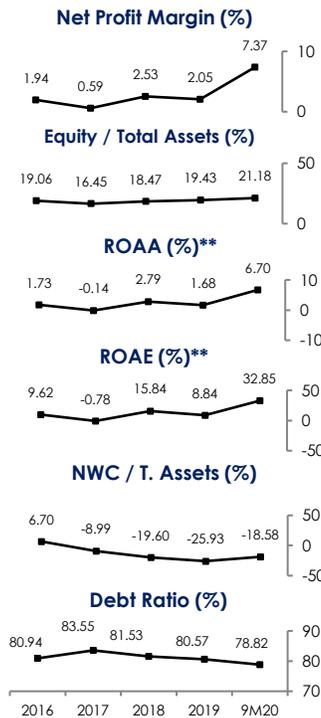
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RATINGS

		Long Term	Short Term
International	Foreign Currency	BB+	B
	Local Currency	BB+	B
	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)
Sponsor Support		2	-
Stand-Alone		AB	-
Sovereign*	Foreign Currency	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative	-
		LC Negative	-

*Assigned by JCR on April 10, 2020



**Please take notice of the 'important note' given in the page 20, explaining the calculations of ROAA and ROAE based upon FYE2020 projections.

Vestel Elektronik Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating evaluated "Vestel Elektronik Sanayi ve Ticaret A.Ş." in an investment grade category in the periodic annual review and affirmed the ratings on the Long and Short-Term National Scales as 'A (Trk)' and 'A-1 (Trk)', respectively along with the 'Stable' outlooks. Moreover, the outstanding or prospective debt instruments' issue ratings are affirmed as 'A (Trk)' for long and 'A-1 (Trk)' for short term. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as 'BB+/Negative', the same level as the sovereign ratings of Turkey.

Vestel Elektronik Sanayi ve Ticaret A.Ş. (referred to as 'the Company', 'the Group' or 'Vestel Elektronik') was founded in 1983 and its shares passed to Zorlu Family after the acquisition made in 1994. Its core business is to produce and sell home appliances and consumer electronics. The Group conducts its manufacturing operations principally in one of the largest industrial complexes of Europe; Vestel City in Manisa province. As of 9M2020, the Group had 22 subsidiaries (17 of them were consolidated) and also 4 affiliates. Vestel Elektronik also operates in the national auto project, mining & metallurgy, defense industry and software areas via its affiliates. As of 30.09.2020, 70.37% of total consolidated gross revenue of Vestel Elektronik was derived from exports principally to Europe. The number of personnel employed across operations was 18,208 as of 9M2020. (FYE2019: 16,775). The Company's main shareholder was Zorlu Holding A.Ş. with 70.15% shares and 35.60% of the total shares were publicly traded (including those (5.74%) held by Zorlu Holding A.Ş.) as of 30.09.2020. Vestel Elektronik's shares have been traded on the Borsa İstanbul (BIST) with the 'VESTL' ticker since 1990. The Company currently takes places in the constituents of Sustainability Index, Corporate Governance Index and BIST Stars. It ranked 21th in the 'Turkey's Top 500 Industrial Enterprises 2019' list of Istanbul Chamber of Industry and its subsidiary Vestel Ticaret ranked 8th in the 'Turkey's Top 1000 Exporters 2019' list of Turkish Exporters Assembly.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Along with widespread domestic sales channels, presence in diversified geographies providing risk mitigation
- Export-focused growth strategy and natural hedge mechanism of hard currency weighted revenue structure
- Ongoing growth in net sales and satisfactory gross profit and EBITDA margin
- Efficiency and cost advantages of manufacturing under one roof of Vestel City
- High level of compliance with corporate governance implementations
- Attributing high importance for research and development investments and innovation within the framework of Zorlu Holding's vision of Smart Life 2030
- Established brands and notable market shares both in domestic and European market

Constraints

- Steadiness of net working capital deficit though an improvement in 9M2020
- Ongoing high debt level and short maturity profile of financial liabilities
- High off-balance sheet commitments and contingencies and increasing related party transactions pressuring asset quality
- Net foreign currency liability position though at manageable levels
- Despite recovery signals, noteworthy share of revaluation gains' continuity in equity
- Uncertainties still standing ahead due to the Covid-19 pandemic though notable profitability performance in 9M2020

Considering the aforementioned points, the Company's the Long-Term National Rating has been affirmed at 'A (Trk)'. The Company's sales and profitability performance at 9M2020 despite tough economic conditions, high tech & massive production capacity, established brand awareness, environment friendly production approach, export power and capability to access funding resources along with the deterioration both in local and global macroeconomic indicators, and ongoing uncertainties due to the Covid-19 pandemic have been evaluated as important indicators for 'Stable' outlooks of long and short term national ratings. Sales and profitability performance, indebtedness level, maturity profile of financial liabilities, net working capital shortfall, off-balance sheet commitments, related party transactions, local and global macroeconomic indicators during Covid-19 pandemic are the major issues which will be monitored by JCR Eurasia Rating.

No separate issue rating report has been compiled as the resources obtained from the debt issues will be carried in the Company's balance sheet and has been subject to analysis in the corporate credit rating report. The issue ratings do not cover any structured finance instruments that are not recorded under balance sheet items. Issue ratings are assigned for both outstanding and prospective debt instruments and incorporate assessments until their maturities.

The sponsor support note of Vestel Elektronik has been affirmed as (2) considering the financial strength, financial capacity and willingness of the qualified shareholder Zorlu Holding A.Ş. and Zorlu Family to lend assistance when needs arise, this sponsor support note denotes a moderate external support possibility. Considering the Company's high-tech and flexible production power, capability to access funding sources, continuity of revenue growth, solid market presence both in domestic and overseas markets, risk management practices, experienced management structure, the Stand Alone Note of Vestel Elektronik has been affirmed as "AB" indicating a high level.