

## Corporate Credit Rating

New  Update

Sector: Commercial Vehicle&  
Defense

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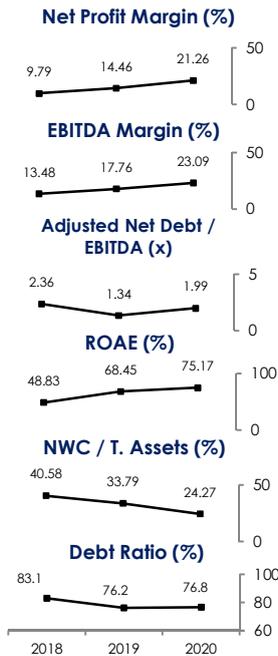
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## RATINGS

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

\*Assigned by JCR on April 10, 2020



## Otokar Otomotiv ve Savunma Sanayi A.Ş.

JCR Eurasia Rating has evaluated consolidated financials of **Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar /Company)** in an investment-grade category and assigned the ratings as **“AA+ (Trk)”** on the Long-Term National Scale and as **“A-1+ (Trk)”** on the Short-Term National Scale with **‘Stable’** outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as **“BB+ / Negative”**.

Otokar was established in 1963 in Turkey, to produce the first intercity buses of the country. The Company, which started its operations with bus and minibus production, joined the Koç Group in 1976 when it decided to specialize in other business areas in addition to public transportation vehicles. Otokar also began manufacturing vehicles for defense industry in 1987 and produced Turkey’s first tactical wheeled armored vehicle in the 1990s. Otokar produces buses and light trucks in the commercial vehicles segment, and a variety of tactical wheeled and tracked armored vehicles and turret systems for the defense industry at its Arifiye (Sakarya) plant with 552,000 m<sup>2</sup> production area. The company, offers solutions tailored to customer needs with its technologies, designs and applications. Otokar products are currently sold and used in over 60 countries and 5 continents. Otokar shares have been traded on Borsa Istanbul since April 24, 1995 with ticker symbol “OTKAR”. As of December 31, 2020, the consolidated asset size was approximately TRY 4,334mn, the turnover amounted to TRY 2,909mn. The Company had a work force of 2,258 as of YE2020 (YE2019: 1,957).

The Koç Group is Turkey’s largest industrial and services group in terms of revenues, exports, number of employees and market capitalization. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to 6.4% of Turkey’s GDP and Group’s exports account for 6.7% of Turkey’s total exports. As of 31st of December 2020, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for 19.4% of the total market capitalization of the companies listed on BIST 100.

### Strengths

- Pioneer profile in the Turkish defense industry and commercial vehicle industry with reputable brands and proven successful track record in various countries
- Increasing sales revenues and EBITDA generation capacity along with maintenance of orders and rising export volume
- Sustainable financial leverage profile along with equity level supported by ongoing net profit generation
- Significant level of advances taken in the funding sources easing liquidity management
- Competitive advantages through strong R&D center and new product-brand creation power
- Providing natural hedge through export sales
- Strong shareholder structure
- High level of compliance regarding corporate governance implementations

### Constraints

- Despite increasing EBITDA generation capability, having negative cash flow from operations in 2020
- Increasing level of short-term funding needs mainly due to risk management strategies during the pandemic
- Having defense industry specific operational risk related with trade barriers of countries
- Contraction in the global automotive sector
- Covid-19 outbreak creating vagueness on global and local economic activity

Considering the aforementioned points, the Company’s the Long-Term National Rating has been assigned as **‘AA+ (Trk)’**. The Company’s pioneer profile in the industries in which the Company operates and reputable brands, proven successful track record in various countries, existing project backlog and other potential projects, capability to access funding resources, EBITDA generation capacity with maintaining orders and high share of exports in total revenues along with the increasing working capital needs 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. In the upcoming period, the Company’s sales and profitability performance, backlog and pipeline projects, trend of financial indebtedness, asset quality, debt-equity ratio, FX position, local and global macroeconomic indicators during Covid-19 pandemic will be closely monitored by JCR Eurasia Rating.

JCR Eurasia Rating has maintained its opinion that Koç Holding, the parent Company of Otokar, has the capacity to provide financial as well as effective operational support should such a need arise considering its proven track record and investments and operations in diverse sectors. Within this context, Otokar’s Sponsor Support note has been assigned as **(1)**.

The Stand-Alone Grade has been constituted particularly with respect to Otokar’s reputable brands with proven successful track record, market shares, EBITDA generation capacity and satisfactory profit margins, significant level of exports in sales, competitive advantages provided by having strong R&D power, capability to access financing sources, existing project backlog, experienced management team and know-how level. Within this context, the Stand Alone note of Otokar has been determined as **(A)** in the JCR Eurasia Rating notation system.