

Corporate Credit Rating

New Update

Sector: Consumer Durables

Publishing Date: 19/12/2024

Team Leader

Elif Kirlangıç Keçeli

+90 212 352 56 73

elif.keceli@jcrer.com.tr

Senior Analyst

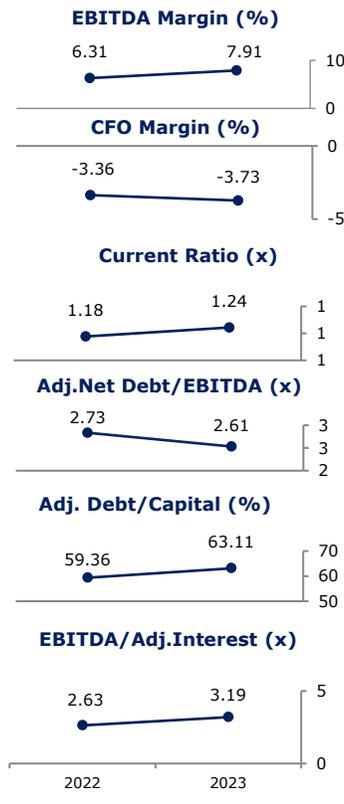
Adem Çengel

+90 212 352 56 73

adem.cengel@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024



ARÇELİK ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated "Arçelik Anonim Şirketi" in the investment grade category with the highest credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AAA (tr)' but revised the outlook from 'Stable' to 'Negative', and affirmed the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as "BB/Stable" as parallel to international ratings and outlooks of Republic of Türkiye.

Arçelik Anonim Şirketi ("Arçelik", "the Group" or "the Company") was established in 1955. The Group currently operates in the production, marketing, sales, after-sales, export, and import of household durables and consumer electronics. According to the latest Investor Presentation (November 2024), the Group conducts its manufacturing activities via 46 production facilities in 14 countries which are Türkiye, Romania, Italy, Slovakia, Poland, the UK, Egypt, South Africa, Pakistan, Bangladesh, India, Thailand, China, and Russia. The Group has 124 subsidiaries in 58 countries and serves more than 150 countries. The Group has 22 brands in its portfolio which include Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance, Voltas Beko, Singer, Hitachi, Whirlpool, Hotpoint, Ariston, Indesit, Bauknecht, Privileg, Ignis, and Polar. In the first nine months of FY2024, Europe continued to be the leading region in the revenue breakdown with a 46.12% share in net sales while Türkiye and APAC followed with 34.27% and 11.00% shares, respectively. The Group is the market leader in the domestic market with its Arçelik brand in the white goods and TV segments. With reference to GFK 2024 June Panel Data, the Investor Presentation has stated that Beko is the market leader in Europe and has continued to be among the top 3 brands in terms of unit-based market share in France, Italy, Eastern Europe, and Russia while continuing to be the market leader in the United Kingdom. Arçelik consistently takes place in "Türkiye's Top 500 Industrial Enterprises Survey" of the İstanbul Chamber of Industry. The Company ranked 7th in the 2023 survey in terms of sales from production. Moreover, Arçelik took 9th place in 2023 in the "Fortune 500 Türkiye" study which ranks Türkiye's top 500 companies. Furthermore, thanks to its export power, Arçelik ranked 10th in the general ranking and 2nd in the sectoral ranking in the 2023 list of 'Türkiye's Top 1000 Exporters' which is a survey prepared regularly by the Turkish Exporters Assembly.

Koç Holding Anonim Şirketi was the Company's principal shareholder with 41.43% shares in capital as of 30.09.2024 and FYE2023. Koç Group ultimately controls the Company with a 57.24% share in the capital. The shares of Arçelik have been traded on BIST since 1986 with the 'ARCLK' ticker. The Company is currently included in several indices, including 'BIST Stars Index', 'BIST Corporate Governance Index', 'BIST Sustainability Index', and 'BIST Sustainability 25 Index'. As of 30.09.2024, the actual outstanding share ratio of the Company was 14.96%.

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

Strengths

- Noteworthy sales growth in 9M2024, mainly as a result of consolidated Europe and MENA transactions,
- Steady and adequate liquidity metrics driven by consistent working capital generation,
- Highly secured receivables as a key pillar of credit risk management,
- Top-tier positions in domestic and international markets,
- Wide range of products and brands, backed by R&D and sustainability efforts,
- Robust adherence to corporate governance principles, as evidenced by its inclusion in the Borsa İstanbul Corporate Governance Index,
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding.

Constraints

- Elevated leverage profile with a weakening in coverage metrics in 9M2024,
- Decline in core profitability metrics along with a bottom-line loss in 9M2024,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. On the other hand, the outlook for the Long-Term National Issuer Credit Rating has been revised from 'Stable' to 'Negative' considering the Group's sales performance, liquidity profile, asset quality, market positions, brand recognition and portfolio, R&D capabilities, corporate governance compliance practices along with leverage profile, coverage metrics, and profitability performance in 9M2024, and deterioration in local and global macroeconomic conditions. The Group's sales, profit margins, leverage and coverage profile, liquidity and cash flow metrics, and input costs will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and the legal framework of the sector will be monitored.