

Corporate Credit Rating

New Update

Sector: Fleet Leasing

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Escar Filo Kiralama Hizmetleri A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of "Escar Filo Kiralama Hizmetleri A.Ş." in investment-level category on the national scales and affirmed its Long-term National Issuer Credit Rating at 'A+ (tr)' and assigned its Short-Term National Issuer Credit Rating as 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Escar Filo Kiralama Hizmetleri A.Ş. (referred as "the Company" or "Escar" or "the Group") was established in 2001 and has been serving in the fields of operational vehicle leasing and fleet management services with the "Escar Fleet Excellence" brand. As of June, 2023, the Company has two subsidiaries and one joint venture. While Escar's fleet size reached to 5,010 vehicles, the number of vehicles used in operational leasing activities is 4,527 as of June, 2023. The Group's asset size reached TRY 3.55bn as of June, 2023.

The Company's paid in capital is TRY 54.3mn and 75.74% of the shares owned by Kebudi Family Members. 20.26% of the Company shares are publicly traded on the Borsa Istanbul with the ticker "ESCAR" since 13.07.2021.

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

Strengths

- Robust profitability margins in 2022 and in 1H2023 mainly driven by gain on second hand car sales
- Comfortable level of financial leverage indicators during review period
- Upward trend in net working capital
- Business model based on multiyear contracts providing foreseeable cash flow for the Company
- Satisfactory equity structure composed by net profit and retained earnings
- Top-tier corporate clientele structure supporting asset quality
- Ongoing fleet size growth of the Company
- Steady demand outlook in the fleet leasing sector due to the willingness of companies to prefer leased vehicles
- Compliance with corporate governance principles as a company listed in BIST

Constraints

- Deterioration in interest coverage ratio in 2022
- Free operating cash outflow in 2022 and 1H2023
- High level of cash conversion cycle
- Exposure to second-hand car prices
- Sector specific regulations and high correlation with macroeconomic dynamics may result fluctuations in demand
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. The Company's robust profitability indicators, strong equity level, comfortable level of financial leverage indicators, qualified customer portfolio along with ongoing uncertainties arisen from geopolitical tensions as well as global tight financial conditions have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's sales and profitability performance, liquidity position, cash generation capacity, asset quality, debt structure and local and global macroeconomic indicators as well as market conditions and legal framework about the sector will be closely monitored by JCR Eurasia Rating.

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

* Assigned by JCR on August 18, 2022

