

## Corporate Credit Rating

New  Update

**Sector:** Automotive

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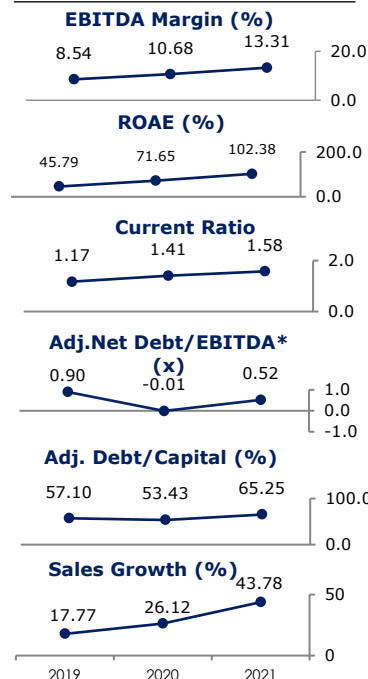
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| RATINGS                              |                               | Long Term     | Short Term |
|--------------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Rating Profile)  | National ICR                  | AAA (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) | National ISR                  | -             | -          |
|                                      | International FC ISR          | -             | -          |
|                                      | International LC ISR          | -             | -          |
| Sovereign*                           | Foreign Currency              | BB (Negative) | -          |
|                                      | Local Currency                | BB (Negative) | -          |

\* Assigned by JCR on Aug 18, 2022



\*2020 figure indicates cash surplus

## FORD OTOMOTİV SANAYİ A.Ş.

JCR Eurasia Rating has evaluated "Ford Otomotiv Sanayi A.Ş." in the highest investment grade category and affirmed the Long-Term National Issuer Credit Rating as 'AAA (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings are affirmed at 'BB'. Additionally, the outlooks on the International Long-Term Issuer Credit Rating perspectives of the Company have been assigned as 'Negative' in line with the sovereign rating outlook of the Republic of Türkiye.

**Ford Otomotiv Sanayi A.Ş.** ("Ford Otosan", "the Group" or "the Company") was established in 1959 and at present manufactures, sells and imports motor vehicles, especially commercial vehicles, as well as spare parts for these vehicles. The Company is headquartered in İstanbul but conducts its manufacturing activities via 4 factories which are located in Türkiye (3 factories) and Romania (1) as of the report date. The Group has capacities of 471,700 units of commercial vehicles and 250,000 units of passenger vehicles, totalling to 721,700 units. Ford Otosan has an export-oriented business model with sales realized mainly to Ford Motor Company's European subsidiaries. Thanks to its export power, the Company was the export champion of Türkiye since 2015 according to the list of 'Türkiye's Top 1000 Exporters 2021' which is a survey prepared regularly by Turkish Exporters Assembly. Ford Otosan consistently takes place in "Türkiye's Top 500 Industrial Enterprises Survey" of İstanbul Chamber of Industry as well. The Company ranked 2<sup>nd</sup> in the surveys since 2011 in terms of sales from production. The Company is the leading commercial vehicle manufacturer (71%) of Türkiye while taking 27% share in Türkiye's total automotive production at FYE2021 according to the Investor Presentation (December 2022). As of 30.09.2022, Koç Group and Ford Deutschland Holding GmbH, which is a %100 subsidiary of Ford Motor Company, held 41% of the shares while the remaining shares (17.89%) were publicly traded on Borsa İstanbul (BIST). The shares of the Company have been traded on BIST since 1986 with 'FROTO' ticker.

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

### Strengths

- Consistently improving sales revenues together with further potential via inorganic growth attempts,
- Sustainable profitability figures in the analyzed period, contributing notably to internal equity generation,
- Solid cash flow metrics supported by increasing FFO and CFO,
- Robust leverage profile underpinned by low level of net debt/EBITDA multiplier,
- Maintained asset quality thanks to low level of doubtful receivables underpinned by collateralization policy,
- Successful track record as being the export champion and the 2<sup>nd</sup> largest industrial enterprise of Türkiye,
- High compatibility with the corporate governance practices,
- Strong emphasis on R&D and sustainability,
- Reputable shareholder structure and high brand recognition.

### Constraints

- Competitive nature of the automotive industry along with high correlation with macroeconomic dynamics,
- Ongoing global chip shortage as a potential risk for the sector,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. The Company's ongoing sales and EBITDA performance, leverage and liquidity profile, prudent collection policy, successful track record, corporate governance practices, R&D studies as well as reputable shareholder structure and strong brand value along with the industry's competitive and highly correlated nature, ongoing chip shortage and deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the 'Stable' outlooks for the Short and Long-Term National Issuer Credit Ratings. The Company's revenue generation performance, leverage profile, liquidity metrics, profitability margins, input costs and asset quality 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 legal framework about the sector will be monitored as well.