

Corporate Credit Rating

New Update

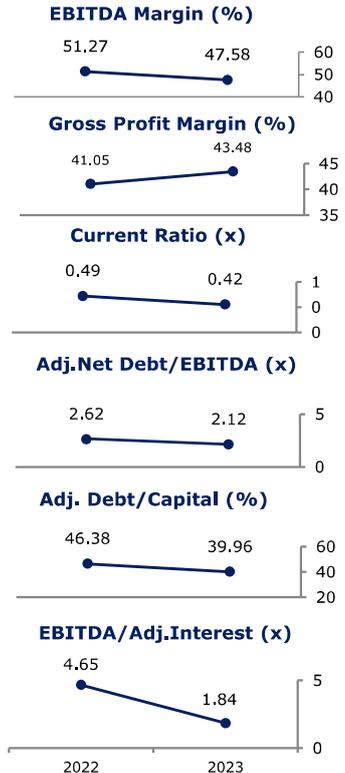
Sector: Operational Leasing
Publishing Date: 13/12/2024

Team Leader
 Yeşim Özüdoğru
 +90 212 352 56 73
yesim.karaoglu@jcrer.com.tr

Senior Analyst
 Yunus Katrancı
 +90 212 352 56 73
yunus.katranci@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific 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



Garanti Filo Yönetim Hizmetleri A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Garanti Filo Yönetim Hizmetleri A.Ş." in investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A+ (tr)' and the Short-Term National Issuer Credit Rating at '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/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

Garanti Filo Yönetim Hizmetleri A.Ş. (hereinafter referred to as 'Garanti BBVA Filo', 'the Company' or 'the Group') was established in 2007 to rent or operate all kinds of motorized and non-motorized land vehicles, all kinds of yachts, vessels, boats, and all machinery that can be described as working machine, including tractors. The Company carries out operational fleet leasing services of many brands of motor vehicles. In addition to its sales teams, the Company also uses Garanti BBVA branches and many digital channels, primarily www.garantibbvafilo.com.tr, as an alternative distribution channel. Reaching more than 3,100 customers thanks to its diversified distribution channels, Garanti BBVA Filo also provides second-hand passenger car sales services to its wide customer portfolio, in addition to fleet management services in line with their needs. As of June 2024, the Company has an active vehicle park of 26,385. The Company employed a total workforce of 85 as of FYE2023 (FYE2022: 83). Garanti Finansal Kiralama A.Ş., the Company's sole shareholder, was established in 1990 to carry out financial leasing transactions at home and abroad. Since its establishment, it has been carrying out leasing transactions of corporate, commercial, small and medium-sized enterprises to cover a wide customer base. On the other hand, Garanti Finansal Kiralama A.Ş.'s main partner, Türkiye Garanti Bankası A.Ş. is one of the leading banks in Türkiye with its consolidated asset size reaching TRY 2.88tn as of September 30, 2024. Garanti BBVA operates in all business lines of the banking industry, including corporate, commercial, SME, retail, private and investment banking and payment systems and serves its customers with more than 800 branches in Türkiye, seven branches in Cyprus and one in Malta. The controlling shareholder of Garanti BBVA is Banco Bilbao Vizcaya Argentaria S.A. (BBVA), which owns 85.97% of its shares. The actual free float of Garanti BBVA in Borsa İstanbul is 14.03% as of the reporting date.

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

Strengths

- Favorable equity structure mainly supported by internal resource generation capacity despite extremely low level of paid-in capital
- Upward trend in market share thanks to increase in fleet size and strong brand recognition
- Multi-year contracts providing revenue visibility
- Diversified corporate client portfolio supporting asset quality
- Backed by Garanti BBVA, one of the reputable and well-known banks in the industry
- Compliance with corporate governance principles
- Steady demand outlook in the fleet leasing sector due to the willingness of companies to prefer leased vehicles

Constraints

- Gross loss experienced in 6M2024 due to second-hand car price increases remaining below inflation rate and expected contraction in EBITDA generation capacity in FY2024 compared to previous year
- Deterioration in financial leverage metrics and interest coverage ratio as of 6M2024, and expected to continue as of FYE2024
- Free operating cash outflow in the analyzed periods due to working capital requirement
- Sector specific regulations and high correlation with macroeconomic dynamics may result fluctuations in demand
- 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 'A+ (tr)'. The Company's strong equity level, high revenue visibility, reputable shareholder and increasing fleet size 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 growth strategy, profitability indicators, financial leverage and asset quality will be closely monitored by JCR Eurasia Rating in 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.