

Corporate Credit Rating

New Update

Sector: Information and Communication Technologies (ICT)

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Team Leader

Deniz Ustabaş
+90 212 352 56 73

deniz.ustabas@jcrer.com.tr

Senior Analyst

Sinem Elif Savaş
+90 212 352 56 73

elif.savas@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (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 Aug 18, 2022

Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş." in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AA (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/Negative' in line with the global and national scale rating matching published by JCR Eurasia Rating.

Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (referred to as 'KoçSistem or 'the Company') was founded as Koç Ticaret Büro Levazımatı A.Ş. in 1945. The dealership agreement concluded with the US based Borroughs Corporation in early foundation times was later enlarged, the Company changed its commercial title as Koç Borroughs in 1953. Koç Borroughs, which operated under this title for more than thirty years, took its new title Koç-Unisys in 1987 following the merger of Borroughs with the Sperry Company. And then, Koç Unisys was changed and updated to its current version as KoçSistem in 1997. KoçSistem provides services for corporate companies regarding consultation from layer of system to layer of business applications, application development, assembling, training services, managed services, cloud computing and shared services, maintenance and support services. KoçSistem was granted permission for "Authorized R&D center which is 16th nationwide and the first in the software field in 2009. According to the "Türkiye's top 500 ICT Companies" list published by the BTHABER, KoçSistem has maintained the leadership since 2008 and ranked as 1st in the "System Integrator and Business Partner" category again in 2022. Besides, the Company was ranked as 224th in the Fortune 500 Türkiye list, which are 500 companies with the largest net turnover in the country, in 2022.

KoçSistem is controlled by its main shareholder Koç Holding A.Ş., Koç Family members and the companies owned by Koç Family members. KoçSistem maintains its operations by a total staff force of 1.132 employees as of 1H2023. (FYE2022: 1.407).

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

Strengths

- Sales growth in FY2022 and further strong increase in 1H2023 compared to the same period of previous year
- Improvement in profitability ratios in FY2022 despite a contraction in 1H2023 due to periodicity in activities
- Notable decrease in net debt in 1H2023 and satisfactory financial leverage ratios
- Diversified fund resources with bond issuances as of October, 2023
- Contractual and longstanding business relationship with reputable clients supporting asset quality
- Long-lasting presence and successful track-record in the sector together with taking part among the leading ICT companies in Türkiye
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding

Constraints

- Operating with net working capital deficit considering the last two review period
- Notable contraction in EBITDA/Adjusted Interest Paid coverage ratio in last two consecutive years
- Highly competitive market structure pressuring the profitability indicators in the industry
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side

Considering the aforementioned points, KoçSistem's the Long-Term National Issuer Credit Rating has affirmed at 'AA (tr)'. The Company's profitability, asset quality, contractual and longstanding business relationship with major clients, strong position and experience in the sector along with market 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 revenue growth, EBITDA generation capacity, profitability and leverage, equity level, profit margins and solvency performance 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.

