Corporate Credit Rating

☐New ☒Update

Sector: Commercial Vehicles & Defense
Publishing Date: 31/05/2022

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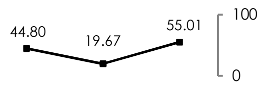
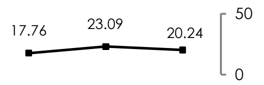
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

** Assigned by JCR on May 31, 2021*

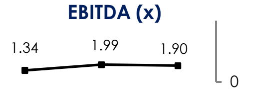
Sales Growth (%)



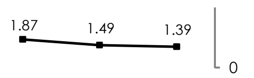
EBITDA Margin (%)



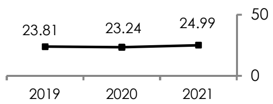
Adjusted Net Debt / EBITDA (x)



Current Ratio (x)



Equity Ratio (%)



Otokar Otomotiv ve Savunma Sanayi A.Ş.

JCR Eurasia Rating, has evaluated **"Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar/Company)** in the high investment-level category 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/Stable'** as parallel to international ratings and outlooks of Republic of Turkey.

Otokar was established in 1963 in Turkey, to produce the first intercity buses of the country. The Company, produces buses and light trucks in the commercial vehicles segment, and a variety of tactical wheeled and tracked armored vehicles and turret systems for the defense industry at its Arifiye (Sakarya) plant with 552,000 m^2 production area. The company, offers solutions tailored to customer needs with its technologies, designs and applications. Otokar products are currently sold and used in over 60 countries and 5 continents. Otokar shares have been traded on Borsa Istanbul since April 24, 1995 with ticker symbol "OTKAR". The Company had a work force of 2,286 people as of FYE2021 (FYE2020: 2,258).

The Koç Group is Turkey's largest industrial and services group in terms of revenues, exports, number of employees and market capitalization. Koç Group has leading brands in energy, automotive, consumer durables, finance sectors. Combined revenues of the Koç Group correspond to ~8% of Turkey's GDP and Group's exports account for ~7% of Turkey's total exports. As of 31st of December 2021, Koç Holding and publicly traded companies of the Group at BIST 100 accounted for ~21% of the total market capitalization of the companies listed on BIST 100.

Strengths

- Increasing sales revenues, EBITDA and cash flow generation from operations along with rising sales figures in FY2021
- High level of export share in the turnover providing natural hedge
- Sustainable financial leverage profile and equity level despite the high dividend payments
- Long-term weighted financial debt structure and considerable liquid asset level, easing liquidity management
- Strong presence in Turkish defense industry and commercial vehicle industry with reputable brands and proven successful track record in various countries
- Competitive advantages through strong R&D center and new product-brand creation power
- High level of compliance regarding corporate governance implementations

Constraints

- Increasing trend of inventory level mainly due to risk management measures against supply chain bottlenecks
- High correlation with macroeconomic dynamics of the automotive sector and contraction of the sector in Europe during 1Q2022
- Defense industry specific operational risk related with trade barriers of countries
- The geopolitical risks stemming from the Russia-Ukraine tension increasing commodity prices and creating uncertainty

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as **'AA+ (tr)'**. Proven successful track record in Turkey and various countries, existing project backlog, EBITDA and cash flow generation capacity, robust share of export in the turnover, strong R&D capability and capability to access funding resources along with fluctuations in commodity prices and ongoing uncertainties due to the geopolitical risks 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, cash flow generation capacity, backlog and pipeline projects, trend of financial indebtedness, debt-equity ratio, FX position management, 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.