

Corporate Credit Rating

New Update

Sector: Retail Trade

Publishing Date: 28/12/2023

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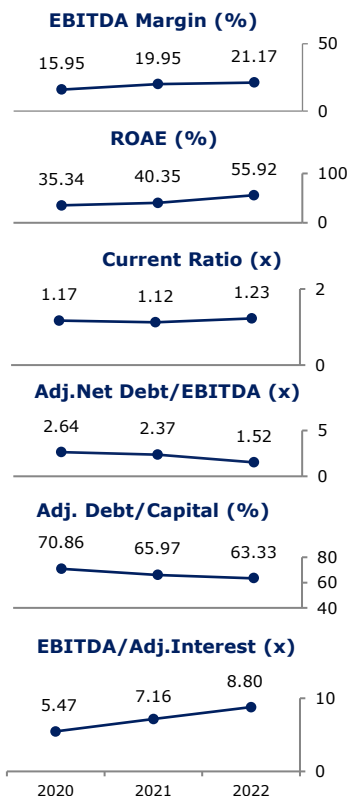
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC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

* Assigned by JCR on Aug 18, 2022



OTOKOÇ OTOMOTİV TİCARET VE SANAYİ ANONİM ŞİRKETİ

JCR Eurasia Rating has evaluated "Otokoç Otomotiv Ticaret ve Sanayi Anonim Şirketi" in the investment grade category with the very high credit quality and revised the Long-Term National Issuer Credit Rating from 'AA (tr)' to 'AA+ (tr)' and affirmed 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 have been assigned as "BB/Negative" as parallel to international ratings and outlooks of Republic of Türkiye.

Otokoç Otomotiv Ticaret ve Sanayi Anonim Şirketi ("Otokoç", "the Group" or "the Company") was incorporated by Mr. Vehbi Koç in 1928 as an agency of Ford Motor Company and became the first investment of Koç Group's in the automotive industry. At present, Otokoç mainly operates in the field of automotive retailing, car rental and car sharing segments. The Company is headquartered in İstanbul and had a staff force of 3,821 employees as of 30.06.2023. Otokoç provides sales and after-sales services of Ford, Ford Trucks, Volvo, Fiat, Alfa Romeo, Jeep and Maserati brands. Car rental and car sharing services are offered through Avis, Budget and Zipcar. In addition to Türkiye, the Group has also car rental operations in Greece, Hungary, Ukraine, Georgia, Azerbaijan, Kazakhstan, Northern Cyprus and Iraq. In FY2022, Otokoç generated 11% of the total sales revenues and 12% of the pre-tax profit from foreign operations. According to its Annual Report, Otokoç had a market share of 9% in total domestic brand-new automotive sales in FY2022 according to unit terms while the shares were 8.1% and 9.7% in FY2021 and FY2020, respectively. In the 2nd hand car sales segment, the Company maintained its leadership position in Türkiye among corporate brands with sales of 26.9k units in FY2022. In addition, Otokoç protected its market leader status in vehicle leasing business in Türkiye, Azerbaijan and Kazakhstan while continuing to be the sector leader in long-term vehicle leasing in Greece and Georgia. As of 30.09.2023, rental car park of the Group totaled to 113.9k vehicles. Otokoç consistently takes place in "Fortune 500 Türkiye" studies, which rank Türkiye's top 500 companies starting from 2007. The Company took the 35th place in the 2022 list according to its net sales (2021: 32nd). In 2007-2022 period, the ranking of the Company sailed in the bandwidth of 27th-50th. Furthermore, according to the brand valuation consultancy firm Brand Finance's 'Türkiye 100 2023' study, Otokoç ranked 38th (2022: 36th). **Koç Holding A.Ş.** was the principal share of the Company with a share of 96.32% in the analyzed period and as of the report date.

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

Strengths

- Notable sales growth prompted by favorable demand conditions,
- Satisfactory levels of EBITDA margins,
- Steady CFO and FFO generation capacity facilitating liquidity management,
- Moderate leverage profile, and strengthened equity base via internal equity generation,
- Diversified revenue streams along with top-tier positions in automotive retailing, car rentals and car sharing,
- Deep-rooted operating history and globally recognized brand portfolio,
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding.

Constraints

- The significant amount of doubtful receivables though fully provisioned,
- Intense competition in the automotive industry along with high correlation with macroeconomic dynamics,
- Leading economic indicators signal global economic slowdown as quantitative actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised from 'AA (tr)' to 'AA+ (tr)'. The Group's sales performance, profit margins, liquidity and leverage profile, market positions and sectoral experience along with asset quality and deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the 'Stable' outlooks for the Long and Short-Term National Issuer Credit Ratings. The Group's revenue generation performance, profitability, leverage profile, liquidity and cash flow metrics, and input costs 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.