

Corporate Credit Rating

New Update

Sector: Retail Trade

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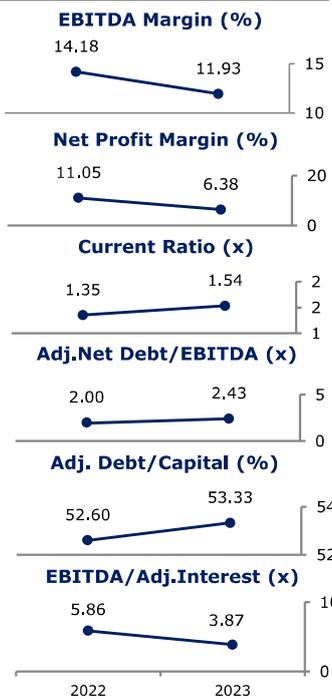
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Negative	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	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 10, 2024



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 affirmed the Long-Term National Issuer Credit Rating at 'AA+ (tr)' but revised the outlook from 'Stable' to 'Negative', and affirmed the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as "BB/Stable" as parallel to international ratings and outlooks of the 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 4,112 employees as of 30.06.2024. 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 FY2023, Otokoç generated 11% of the total sales revenues and 14% of the pre-tax profit from foreign operations. According to its Annual Report, Otokoç had a market share of 7.7% in total domestic brand-new automotive sales in FY2023 according to unit terms while the shares were 9% and 8.1% in FY2022 and FY2021, respectively. In the 2nd hand car sales segment, the Company maintained its leadership position in Türkiye among corporate brands with sales of 32.8k units in FY2023. 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 30.06.2024, rental car park of the Group totaled to 119k vehicles. Otokoç consistently takes place in "Fortune 500 Türkiye" studies, which rank Türkiye's top 500 companies starting from 2007. The Company took the 22nd place in the 2023 list according to its net sales (2022: 35th). In 2007-2023 period, the ranking of the Company sailed in the bandwidth of 22th-50th. Furthermore, according to the brand valuation consultancy firm Brand Finance's 'Türkiye 100 2024' study, Otokoç ranked 45th (2023: 38th). **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

- Positive net working capital and adequate level of current ratio in reviewed years,
- Moderate leverage profile despite some deterioration as per 1H2024 results and recovery expectation for FYE2024 as stated by the Management,
- Adequate equity base via internal means,
- 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

- Contraction in profitability margins in FY2023 and further decrease in 1H2024,
- Operating loss in 1H2024,
- Decline in sales quantity in FY2024 caused by susceptibility to intense competition in the industry along with high correlation with macroeconomic dynamics,
- Considerable volume of accumulated doubtful trade receivables, despite fully provisioned,
- 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 'AA+ (tr)'. On the other hand, the outlook for the Long-Term National Issuer Credit Rating has been revised from 'Stable' to 'Negative' considering the Group's sales performance, liquidity profile, asset quality, market positions, brand recognition and portfolio, along with leverage profile, equity base and profitability performance in 1H2024, and deterioration in local and global macroeconomic conditions. 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.