

## Corporate Credit Rating

New  Update

**Sector:** Fleet Leasing  
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB (tr)	J2 (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 August 18, 2022

## 5S Otomotiv İmalat Sanayi ve Ticaret Anonim Şirketi

JCR Eurasia Rating, has evaluated the "5S Otomotiv İmalat Sanayi ve Ticaret Anonim Şirketi" and assigned the Long-Term National Issuer Credit Rating at 'BBB (tr)' and the Short-Term National Issuer Credit Rating at 'J2 (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' as parallel to international ratings and outlooks of Republic of Türkiye.

**5S Otomotiv İmalat Sanayi ve Ticaret Anonim Şirketi** (referred to as 'the Company' or '5S Otomotiv') was established in 2011 and has been serving in the fields of operational vehicle leasing and fleet management services with the "5S Car Rental" brand. While 5S's fleet size reached to 1,757 vehicles, the number of vehicles used in daily operational leasing activities was 1,285 as of December, 2022. On average, the Company sells leased cars in every six months to keep its fleet young. Moreover, the Company added the production of automobile air and pollen filter to its fields of activity and carries out filter production in Samsun and Ankara facilities. The Company generated TRY 877.3mn of sales revenue in 2022 and has 108 employees as of 31 December 2022 (FYE2021: 100).

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

### Strengths

- Upward trend in EBITDA margin during review period
- Steady improvement in operating ratio supporting profitability margins
- Improvement in financial leverage metrics in the analysed terms
- Sustained positive net working capital and satisfactory level of current ratio during review period
- Diversified client and business structure mitigate revenue concentration risk
- Positive outlook for both operational and fleet rental industry

### Constraints

- Free operating cash outflow from operations in analysed period
- High level of cash conversion cycle during review period
- Exposure to second-hand car prices
- Sector specific regulations and high correlation with macroeconomic dynamics may result fluctuations in demand
- 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, the Company's Long-Term National Issuer Credit Rating has been assigned at 'BBB (tr)'. The Company's improvement in financial leverage ratios, sustainable liquidity metrics and diversified client and business structure 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 profitability performance, debt level and cash generation capacity together with the trends in the industry 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 frame about the sector will be monitored as well.

