

## Corporate Credit Rating

New  Update

**Sector:** Retail Trading  
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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	-
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

## VAKKO TEKSTİL VE HAZIR GİYİM İŞLETMELERİ A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Vakko Tekstil ve Hazır Giyim İşletmeleri A.Ş."** in the very high investment category and upgraded the Long-Term National Issuer Credit Rating from **'A+ (tr)'** to **'AA (tr)'** and the Short-Term National Issuer Credit Rating as **'J1+ (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as **'BB/Negative'** in parallel to international ratings and outlooks of Republic of Türkiye.

**Vakko Tekstil ve Hazır Giyim İşletmeleri A.Ş.** (hereinafter referred to as **"Vakko"** or **"the Group"**) was established in 1962 and is one of the leading luxury retailers in Türkiye. Owner of Türkiye's first silk dyeing workshop, Vakko has become one of Türkiye's largest luxury retailers with its service excellence and retail experience. In 1962, the first Vakko store was opened in Beyoğlu, İstanbul, where customers were introduced to modern store practices, such as premium luxury clothing, superior customer service, sales with campaigns and changing the goods sold. Shirts, ties and scarves, which are Vakko's signature products, are produced at the Vakko Production Centre with great care and handicraft at all stages of fabric. Vakko has different brands and a rich collection. The motto of Vakko is "Fashion is Vakko".

Vakko, the locomotive company of Vakko Holding A.Ş. (referred as "Vakko Holding"), has a paid-in capital of TRY 160mn as of September 30, 2022. Vakko Holding is the controlling shareholder with the share of 84.53% as of September 30, 2022. 12.61% of shares are traded in Borsa İstanbul (BIST) with the stock ticker "VAKKO". Vakko is registered with the Capital Markets Board and its publicly held shares have been traded on Borsa İstanbul since April 3, 1998.

Operating in the ready-to-wear retail sector, Vakko has a 99.90% stake in Trent Hazır Giyim Sanayi Ticaret A.Ş. ("Trent Hazır Giyim"), which was established on April 4, 2011 to trade and retail luxury apparel clothing. The Group continues its retail operations with Vakko, Vakkorama, W Collection Vakko Wedding, V2K Designers, Vakko Boutique, and other sub-brands. As of September 30, 2022, the Group owns retail space of 62,473 square meters and operates in 172 stores (159 own stores and 13 other). The Group maintains its operations by staff force of 2,819 employees as of September 30, 2022.

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

### Strengths

- Robust profitability margins surpassing pre-pandemic period, backed by strong sales performance in FY2021,
- Besides relatively decreased financial debt, maintaining a manageable indebtedness level,
- High operational performance supported by EBITDA generation capacity,
- Strong recovery on cash flow metrics thanks to recorded net profit in FY2021,
- Reasonable liquidity management supported by sufficient level of net working capital and satisfactory current ratio,
- High brand reputation and competitive advantage in the luxury retail sector,
- Limited collection risk supporting asset quality,
- High growth potential thanks to well-organized company structure,
- High level of compliance with corporate governance principles of CMB.

### Constraints

- Relatively high operational expense due to the nature of business,
- High cash conversion cycle due to the low inventory turnover,
- Competition in the luxury fashion retailer sector,
- Growing uncertainties along with geopolitical tensions and increase in the general price level, suppressing disposable income and affecting supply and demand.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been upgraded from **'A+ (tr)'** to **'AA (tr)'**. The Group's increasing EBITDA generation capacity in parallel with strong sales performance, reasonable liquidity position, high brand reputation and the Group's proven track record 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 Group's profit and equity indicators, market position, sustainability of domestic and international demands and economic conditions in Türkiye 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 also be monitored.

