

Corporate Credit Rating

New Update

Sector: Retail Trading

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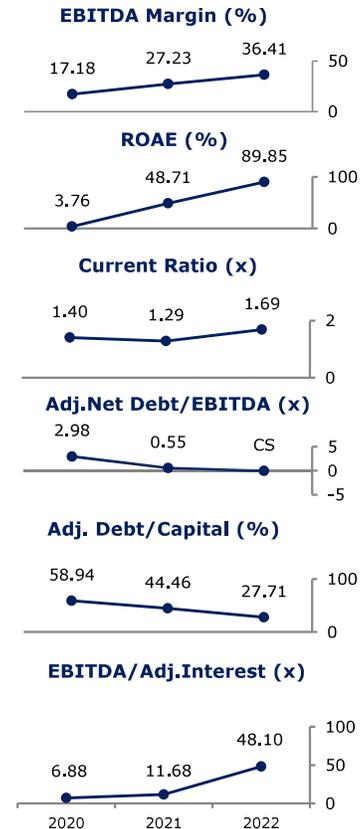
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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue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

* Assigned by JCR on Aug 18, 2022



CS: Cash Surplus

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 investment level category and upgraded the Long-Term National Issuer Credit Rating from **'AA (tr)'** to **'AA+ (tr)'** and assigned 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 assigned 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, 2023. Vakko Holding is the controlling shareholder with the share of 84.53% as of September 30, 2023. 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, 2023, the Group owns retail space of 66,410 square meters and operates in 177 stores (163 own stores and 14 other). The Group maintains its operations by staff force of 3,003 employees as of September 30, 2023.

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

Strengths

- Maintaining the solid profitability margins supported by the diversified product range and the Group's market position,
- Strong financial structure backed by cash surplus position in FYE2022 leading sound coverage and leverage profile,
- Robust operational performance supported by EBITDA generation capacity,
- Solid cash flow metrics and cash buffer easing liquidity management,
- Remaining low level of financial risk indicators thanks to stable equity base,
- Limited collection risk supporting asset quality,
- High brand reputation and competitive advantage in the luxury retail sector,
- High growth potential thanks to both well-organized company structure and market dynamics,
- High level of compliance with corporate governance principles of CMB.

Constraints

- Despite improvement, relatively high operational expense due to the nature of business,
- Relatively high cash conversion cycle owing to the low inventory turnover,
- Competitive environment in the fashion retail sector,
- 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 Group's Long-Term National Issuer Credit Rating has been upgraded from **'AA (tr)'** to **'AA+ (tr)'**. The Group's maintaining solid profitability margins, increasing EBITDA generation capacity in parallel with strong sales performance, solid cash flow metrics with cash surplus, high brand reputation and 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 demands and economic conditions in Türkiye will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in the markets, as well as market conditions and legal framework about the sector will also be monitored.