

Corporate Credit Rating

New Update

Sector: Fleet Leasing

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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 | BBB | - |
| | International FC ICR Outlooks | Stable | - |
| | International LC ICR | BBB | - |
| ISRs (Issue Specific Rating Profile) | International LC ICR Outlooks | Stable | - |
| | National ISR | AA- (tr) Stable | J1+ (tr) Stable |
| | International FC ISR | - | - |
| Sovereign* | International LC ISR | - | - |
| | Foreign Currency | BB (Stable) | - |
| | Local Currency | BB (Stable) | - |

* Assigned by JCR on May 10, 2024

VDF FİLO KİRALAMA A.Ş.

JCR Eurasia Rating, has evaluated 'VDF Filo Kiralama A.Ş.' in the investment grade category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating as '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 have been affirmed as 'BBB' and outlooks affirmed as 'Stable' according to JCR-ER's national-global mapping methodology.

VDF Filo Kiralama A.Ş. (hereinafter referred to as 'the Company' or 'VDF Filo') was established in Istanbul with the current company title on March 31, 2016. The Company's main operating field is fleet leasing of mostly passenger car segment to its corporate clients. As of FYE2023, VDF filo manages 17,390 vehicles (FYE2022: 16,210), and has 15,456 active contracts in terms of leasing activities (FYE2022: 15,184). While the Company's fleet structure not only consists of vehicles that distributed by its group firms in Türkiye such as Volkswagen, Audi, Skoda, Seat branded cars, but also other brands like Renault, Fiat, Toyota, Peugeot branded vehicles are also used in the activities.

The Company is fully owned by VDF Servis ve Ticaret A.Ş. (hereinafter referred to as 'VDF Servis') since its establishment, and VDF Servis is controlled by Volkswagen (51%) and Doğu Group (49%) partnership as of reporting date. As of FYE2023 the Company manages its operating activities with 64 employees (FYE2022: 63 employees).

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

Strengths

- Increase in revenue supported by both contract and second-hand sales quantity in FY2023
- Resilient EBITDA generation together with satisfactory operational profitability metrics despite slight decline in FY2023
- Access to alternative financing sources through channels such as funding of group companies and issuances, as well as LoC provided by Volkswagen Financial Services AG ensuring comfort to meet liabilities
- Multiyear contracts providing revenue visibility
- Low level of concentration and collection risk due to nature of business
- Favourable equity share compared to asset size supported by internal resource generation capacity despite low paid-in capital
- Asset structure is convertible into cash through operational leasing assets due to the nature of the sector
- Strong shareholder structure supported by Volkswagen and Doğu Group partnership
- Steady demand outlook in fleet leasing sector

Constraints

- Financial liabilities though mostly from related parties, putting pressure on interest coverage metrics
- Sector specific regulations and high correlation with macroeconomic dynamics may result fluctuations in demand
- Leading economic indicators signal global economic slowdown whereas 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 affirmed as 'AA- (tr)'. The Company's both revenue and EBITDA generation capacity over the analyzed years, increase in contract and second-hand sales quantities, solid related party contribution in financial resources despite slightly high leverage financial leverage concentrated in short-term, high value of its lease assets and convertibility in cash, solid equity supported by internal resource generation capacity, multiyear revenue stream from leases and low concentration risk as the nature of business and low doubtful receivables 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 revenue trend and profitability performance, sales quantities, indebtedness level and leverage profile, liquidity structure, FX position and sectoral trends 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 be monitored as well.

