

Corporate Credit Rating

☒ New ☐ Update

Sector: Household
 Appliances / White Goods
 Publishing Date: 15/03/2021

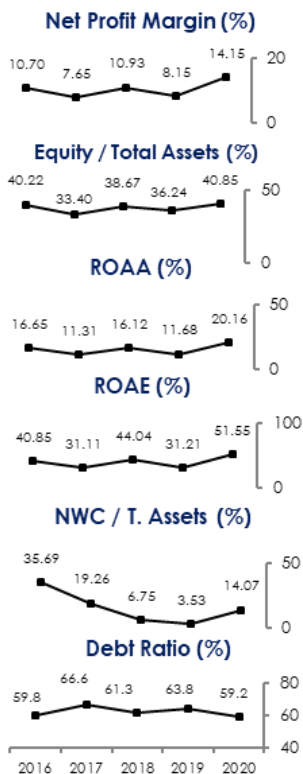
Analyst

Başak Erçevik
 +90 212 352 56 73
 basak.ercevik@jcrer.com.tr

RATINGS

		Long Term	Short Term
International	Foreign Currency	BB+	B
	Local Currency	BB+	B
	Outlook	FC Negative	Negative
		LC Negative	Negative
	Issue Rating	-	-
National	Local Rating	AA (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
Sovereign*	Sponsor Support	2	-
	Stand-Alone	AB	-
	Foreign Currency	BB+	-
	Local Currency	BB+	-
	Outlook	FC Negative	-
		LC Negative	-

*Assigned by JCR on April 10, 2020



Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating evaluated “**Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.**” in an investment grade category and assigned the ratings on the Long and Short-Term National Scales as ‘**AA (Trk)**’ and ‘**A-1+ (Trk)**’, respectively along with the ‘**Stable**’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings of the Company are mapped as ‘**BB+/Negative**’, according to JCR-ER’s national-global mapping methodology.

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (referred to as ‘the Company’, or ‘Vestel Beyaz Eşya’) was established in 1997 and has been operating since 1999. The Company’s area of activity is producing refrigerators, room air conditioning units, washing machines, cookers, dishwashers, dryers and water heaters in its production facilities which are located in Vestel City, one of the largest industrial complexes in Europe with its total area of 1.3 million m² in a single location, in Manisa province of Turkey. Total production capacity of Vestel Beyaz Eşya was 12.5 million units per year as of FYE2020. In the current situation, Vestel Beyaz Eşya is one of the top 5 European white goods manufacturers and in Turkey, it is among the top 3 players of the sector via ensuring 33% of Turkey’s white goods exports on its own. The number of personnel employed across operations was 9,210 at FYE2020. The Company’s main shareholder was **Vestel Elektronik Sanayi ve Ticaret A.Ş.** with 87.27% shares and the rest of the shares was publicly traded as of 12.03.2021. The Company currently is included in the constituents of BIST Sustainability, BIST All Shares 100 and BIST Stars Indices. Together with its notable presence in white goods sector both in Europe and Turkey, Vestel Beyaz Eşya ranked 23rd in the ‘Turkey’s Top 500 Industrial Enterprises 2019 Survey’ of Istanbul Chamber of Industry.

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

Strengths

- Ongoing improvement in sales performance over the years and significant profit generation capacity
- Natural hedge mechanism provided by export-oriented sales structure in addition to specific cost and efficiency advantages
- Favorable indebtedness structure despite a short-term weighted maturity composition of total financial liabilities
- Commitment to organic and/or inorganic growth targets in group along with the notable presence both in domestic and European market
- Having a high opinion of R&D, innovation and new market trends
- Being in accord with corporate governance principles of CMB

Constraints

- Off-balance sheet commitments and contingencies given on behalf of Group companies
- Despite recovery signals from FYE2020 results, high debt level of the parent company which may limit the sponsor support facilities if needed
- Remarkable share of revaluation gains in equity in the last three years
- Further improvement needs in geographical diversification emerged with the pandemic
- Rising raw material prices which may exert pressure on profitability margins

Considering the aforementioned points, the Company’s the Long-Term National Rating has been assigned as ‘**AA (Trk)**’. The Company’s record high rate of increase in domestic market, noteworthy EBITDA performance at FY2020 despite tough economic conditions, favorable indebtedness level, recovery signal from net working capital along with high level of collaterals given on behalf of group companies and further diversification needs in export market composition have been evaluated as important indicators for ‘**Stable**’ outlooks of long and short-term national ratings. Sales and profitability performance, developments in recently announced investment plan, net working capital generation performance, changes in raw material prices, additional diversification in export markets, local and global macroeconomic indicators are the major issues which will be monitored by JCR Eurasia Rating.

The sponsor support note of Vestel Beyaz Eşya has been resolved in deference to financial strength, financial capacity, indebtedness structure and willingness of the majority shareholder; Vestel Elektronik along with financial capacity and willingness of Zorlu Holding and Zorlu Family; ultimate controlling parties. Within this scope, the Sponsor Support of the Company has been determined as **(2)** in JCR Eurasia Rating’s notation system, indicating a moderate external support possibility. Considering the Company’s flexible production structure, notable presence both in domestic and European markets, profit generation capacity, sizable free total cash credit line, risk management practices and highly skilled and experienced senior management, the Stand Alone Note of Vestel Beyaz Eşya has been determined as ‘**AB**’ which denotes a strong company profile.