

Corporate Credit Rating

☐ New ☒ Update

Sector: Electronics

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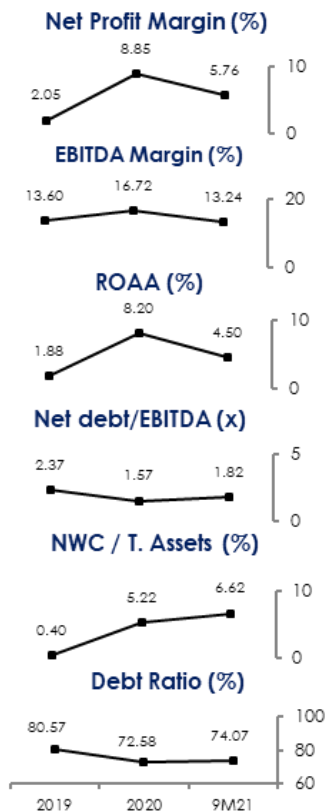
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RATINGS

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

*Assigned by JCR on May 31, 2021



Vestel Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

JCR Eurasia Rating evaluated **"Vestel Elektronik Sanayi ve Ticaret A.Ş."** in a high investment grade category and affirmed the ratings on the Long and Short-Term National Scales as **'A (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/Stable'**, according to JCR-ER's national-global mapping methodology.

Vestel Elektronik Sanayi ve Ticaret A.Ş. (referred to as 'the Company', 'the Group' or 'Vestel Elektronik') was established as a legal entity in 1983 and with the acquisition made in 1994 the controlling interests of the Company have been possessed by Zorlu Family. The shares of Vestel Elektronik have been traded on Borsa İstanbul (BIST) since 1990 with 'VESTIL' ticker and actual outstanding share ratio of the Company was 36.28% as of 25.11.2021 according to the Public Disclosure Platform data. Vestel Elektronik carries out its operations principally in the fields of white goods and electronics segments and also added the mining & metallurgy, defense industry and software segments through its investments/affiliates valued by equity method. Moreover, the Company is in the partnership with the leading domestic institutions for Turkey's national automobile project. Vestel Elektronik conducts its consumer electronics and household appliances' manufacturing activities principally in Vestel City which is a single location in Manisa province of Turkey with a total area of 1.3mn m². The Group has annual production capacity of 10mn units in TVs, 13.2mn units in major household appliances and 4mn units in digital and mobile products as of November 2021. Vestel Elektronik ranked 22th in the 'Turkey's Top 500 Industrial Enterprises 2020' list of Istanbul Chamber of Industry and takes place in the scope of Turquality Support Program of the Republic of Turkey Ministry of Trade. Zorlu Holding A.Ş. was the principal shareholder with 65.45% share in capital as of 30.09.2021.

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

Strengths	Constraints
• Ongoing improvement in sales performance along with satisfying EBITDA margin • Considerable natural hedge and risk mitigation opportunities provided by export-oriented business model embodying a widespread geography • Assistive effect of improving net working capital on liquidity profile despite decline in liquid assets • Widely distributed domestic sales and after sales network contributing brand recognition • Efficiency and cost advantages of manufacturing under one roof of Vestel City • High compatibility with the corporate governance practices as a publicly traded company • Strong emphasis on R&D and innovation within the scope of 'Smart Life 2030 Vision'	• Short maturity weighted profile both of total liabilities and financial borrowings • High level of other receivables due from related parties and rising off-balance sheet commitments and contingencies, distorting the integrity of the balance sheet structure • Significant share of revaluation gains in equity despite recovery signals • Net foreign currency liability position though considered as manageable regarding inventories • Rising raw material prices and ongoing global supply and logistics challenges • Potential repressive effects of depreciation of TRY on margins to certain degree despite compensating effects of export sales

Considering the aforementioned points, the Company's Long-Term National Rating has been affirmed as **'A (Trk)'**. The Company's advantages of export-oriented business model, declining but still satisfactory EBITDA margin, moderate level of liquid assets and improving net working capital along with globally rising raw material prices, macroeconomic uncertainties and ongoing depreciation of TRY against hard currencies have been evaluated as important indicators while affirming **'Stable'** outlooks for the Short and Long-Term National Ratings. The Company's revenue generation performance, liquidity profile, indebtedness structure, rising raw material prices and profitability margins along with domestic and global market conditions are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

The sponsor support note of Vestel Elektronik has been resolved in deference to financial strength, financial capacity and willingness of the principal shareholder. Regarding the willingness of the principal shareholder to provide financial and operational assistance when needed and 'other long-term receivables due from related parties' items' share in total asset size, the Sponsor Support note of the Company has been affirmed as **'2'** in JCR Eurasia Rating's notation system. On the other hand, considering the Company's high tech and flexible production capacity, solid market presence both in domestic and European markets, notable export revenue generation performance, established borrowing mechanisms, ample cash credit lines, risk management implementations and skills and experience of the senior management, the Stand-Alone grade of the Company has been affirmed as **'AB'** in the JCR Eurasia Rating notation system.