

Corporate Credit Rating

☐ New ☒ Update

Sector: Consumer Durables

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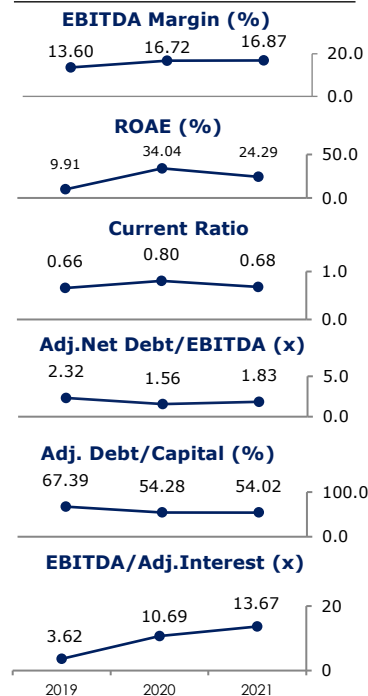
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific 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



VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.

JCR Eurasia Rating has evaluated "Vestel Elektronik Sanayi ve Ticaret A.Ş." in the investment grade category and affirmed the Long-Term National Issuer Credit Rating as 'A (tr)' and the Short-Term National Issuer Credit Rating at 'J1 (tr)' with 'Stable' outlooks. When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings are affirmed at 'BB'. Additionally, the outlooks on the International Long-Term Issuer Credit Rating perspectives of the Company have been assigned as 'Negative' in line with the sovereign rating outlook of the Republic of Türkiye.

Vestel Elektronik Sanayi ve Ticaret A.Ş. ("Vestel Elektronik", "the Group" or "the Company") 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 'VESTL' ticker and the Company currently takes place in the list of constituents of 'BIST Stars Index', 'BIST Corporate Governance Index' and 'BIST Sustainability Index'. Actual outstanding share ratio of the Company was 38.46% as of 28.11.2022 according to the Public Disclosure Platform data. The Group carries out its operations mainly in the fields of white goods and electronics segments and has also added the mining & metallurgy, defence 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 Türkiye's national automobile project. Vestel Elektronik is headquartered in İstanbul but conducts manufacturing activities of its consumer electronics and household appliances segments principally in Vestel City which is a single location in Manisa province of Türkiye with a total area of 1.3mn m². As of 30.09.2022, the Group had a staff force of 20,151 people. The Group has annual production capacities of 10mn units in TVs, 15.1mn units in major household appliances and 4mn units in digital and mobile products as of September 2022. Vestel Elektronik consistently take place in "Türkiye's Top 500 Industrial Enterprises Survey" of İstanbul Chamber of Industry at least since 2006. The Company ranked 26th in the 2021 survey. Moreover, Vestel Elektronik took the 18th place in 2021 in the "Fortune 500 Türkiye" study. The Group has an export-oriented growth strategy. As of 9M2022, 69.83% of the Group's gross revenue originated from export sales. Thanks to its export power, the subsidiary company Vestel Ticaret A.Ş. ranked 5th in the list of 'Türkiye's Top 1000 Exporters 2021' while awarded as the industry export champion of the electric-electronics sector for 24th consecutive years. **Zorlu Holding A.Ş.** was the principal shareholder with 61.54% share in capital as of 30.09.2022.

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

Strengths

- Satisfactory EBITDA margins with consistent improvement in sales revenues in the analyzed period,
- Moderate leverage profile underpinned by low level of net debt/EBITDA multiplier,
- Export-oriented business model embodying a widespread geography providing FC risk mitigation opportunities,
- Maintained asset quality thanks to low level of doubtful receivables,
- Broad sales and after-sales network strengthened by omnichannel capabilities along with benefiting from inter/nationally well-known range of brands,
- 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'.

Constraints

- Rising input costs and sectoral contraction in European market pressuring profitability performance during FY2022,
- Short-term weighted maturity profile of rising borrowings and decline in liquid assets leading to worsening NWC deficit at FYE2021,
- High level of other receivables due from related parties distorting the integrity of the balance sheet structure and rising off-balance sheet commitments and contingencies,
- Significant share of revaluation gains in equity structure,
- Net foreign currency short position though considered as manageable regarding inventories,
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed as 'A (tr)'. The Company's ongoing sales and EBITDA performance, leverage profile, asset quality, corporate governance practices along with lowering profit margins in FY2022, liquidity metrics, net foreign currency position and deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the 'Stable' outlooks for the Short and Long-Term National Issuer Credit Ratings. The Company's revenue generation performance, leverage profile, liquidity metrics, profitability margins, balance sheet structure and input costs will be closely monitored by JCR Eurasia Rating in the 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.