

## Corporate Credit Rating

New  Update

**Sector:** Consumer Durables

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

\* Assigned by JCR on May 10, 2024

## VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

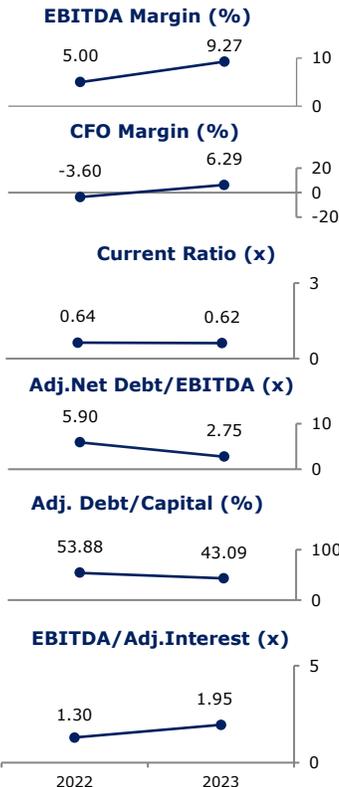
JCR Eurasia Rating has evaluated "Vestel Elektronik Sanayi ve Ticaret A.Ş." in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A (tr)' but revised the outlook from 'Stable' to 'Negative', and affirmed the Short-Term National Issuer Credit Rating at 'J1 (tr)' with 'Stable' outlook. On the other hand, the Company's Long-Term International Issuer Credit Ratings were assigned as 'BB/Stable' in line with the sovereign ratings and outlooks 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. With the acquisition made in 1994, the Zorlu Family has possessed the controlling interests of the Company. The Group operates mainly in the household appliances, and consumer and mobility electronics segments. It has also added the mining & metallurgy, defense industry, and software segments through its investments/affiliates valued by the equity method. Moreover, the Company is a partner of the leading domestic institutions for Türkiye's national automobile project ("TOGG").

Vestel Elektronik is headquartered in İstanbul but conducts its manufacturing activities principally in Vestel City which is a single location in the Manisa province of Türkiye with a total area of 1.3mn m<sup>2</sup>. As of 30.09.2024, the Group had a staff force of 19,500 people. The Group has annual production capacities of 10mn units in TVs and 16.1mn units in major household appliances as of November 2024. Vestel Elektronik consistently takes place in "Türkiye's Top 500 Industrial Enterprises Survey" of the İstanbul Chamber of Industry since at least 2006. The Company ranked 35<sup>th</sup> in the 2023 survey. Moreover, Vestel Elektronik took the 20<sup>th</sup> place in 2023 in the "Fortune 500 Türkiye" study. The Group has an export-oriented growth strategy. In 9M2024, 57.77% of the Group's gross revenue originated from export sales (FY2023: 63.04%). Thanks to its export power, the subsidiary company Vestel Ticaret A.Ş. ranked 7<sup>th</sup> in the 2023 list of 'Türkiye's Top 1000 Exporters' while being awarded as the industry export champion of the electric-electronics sector for 26 consecutive years.

**Zorlu Holding A.Ş.** was the principal shareholder with a 52.77% share in the capital as of 30.09.2024, while the remaining shares were publicly traded on the Borsa İstanbul Stock Exchange (BIST). The shares of Vestel Elektronik have been traded on the BIST since 1990 with the 'VESTL' ticker. The Company is currently included in several indices, including 'BIST Stars Index', 'BIST Corporate Governance Index', and 'BIST Sustainability Index'.

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



### Strengths

- Maintained gross profit and EBITDA margins despite cost pressures,
- Noteworthy cash conversion cycle performance in FY2023,
- Hard-currency income generation capacity thanks to the export-driven revenue base,
- Predominantly collateralized receivables leading to asset quality as proven by the low level of doubtful receivables,
- Top-tier market positions in Türkiye and Europe supported by well-established sales and after-sales network,
- Economies of scale through centralized production in Vestel City,
- Robust adherence to corporate governance principles, as evidenced by its inclusion in the Borsa İstanbul Corporate Governance Index.

### Constraints

- Heightened leverage profile in 9M2024, following a recovery in FY2023,
- Weak interest coverage,
- Operating and bottom-line losses along with a retreatment in sales in 9M2024,
- Sizable working capital deficits throughout the analyzed periods,
- Ongoing high level of other receivables from related parties,
- Substantial contribution of non-cash revaluation gains in equity,
- In the shadow of geopolitical risks, leading economic indicators point to continued weakness in global demand conditions, whereas actions for a soft-landing are at the forefront.

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at 'A (tr)'. On the other hand, the outlook for the Long-Term National Issuer Credit Rating has been revised from 'Stable' to 'Negative' considering the Company's gross profit and EBITDA margins, cash conversion cycle, export capacity, asset quality, sectoral positions in key markets, cost advantages, and corporate governance profile along with leverage metrics, bottom-line profitability and sales performance in 9M2024, equity structure, and deterioration in local and global macroeconomic conditions. The Company's sales, profit margins, leverage and coverage profile, liquidity and cash flow metrics, and cost management capabilities 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 the legal framework of the sector will be monitored.