



## RATING ACTION COMMENTARY

# Fitch Revises 11 Turkish Corporate Issuers' FC IDR Outlooks to Stable

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Fitch Ratings - London - 18 Sep 2023: Fitch Ratings has revised 11 Turkish corporates' Outlooks on their Long-Term Foreign-Currency (FC) Issuer Default Ratings (IDRs) to Stable from Negative and affirmed the ratings. A full list of rating actions is below.

## KEY RATING DRIVERS

The rating actions follow the revision of the Outlook on Türkiye's Long-Term Foreign-Currency IDR to Stable from Negative and the affirmation of the IDR at 'B' on 8 September 2023 (see 'Fitch Revises Türkiye's Outlook to Stable; Affirms at 'B'' at [www.fitchratings.com](http://www.fitchratings.com)).

The issuers' high exposure to the Turkish economy means their Foreign-Currency IDRs are influenced by the Turkish Country Ceiling, which remains at 'B'. The revision of the Outlook reflects the likely correlation of future rating actions with changes to the sovereign rating, assuming that the Country Ceiling moves in line with the sovereign IDR. For Ronens Gayrimenkul Yatirim A.S., the Outlook revision also reflects improved liquidity following repayment of its USD300 million bond in April 2023.

For full key ratings drivers and ESG considerations for each issuer, see the rating action commentaries (RACs) listed below.

Arcelik A.S. (see 'Fitch Affirms Arcelik A.S. at 'BB-'; Outlook Negative' dated 28 April 2023)

Aydem Yenilenebilir Enerji Anonim Sirketi (see 'Fitch Affirms Aydem Renewables at 'B'; Outlook Negative' dated 24 November 2022)

Emlak Konut Gayrimenkul Yatirim Ortakligi A.S. (see 'Fitch Affirms Emlak Konut's Long-Term IDRs at 'B'/Negative' dated 11 October 2022)

Ordu Yardimlasma Kurumu (OYAK) (see 'Fitch Affirms Ordu Yardimlasma Kurumu (OYAK) at 'BB-'; Outlook Negative' dated 10 January 2022')

Pegasus Hava Tasimaciligi A.S. (see 'Fitch Upgrades Pegasus to 'BB-'; Outlook Negative' dated 13 April 2023)

Ronesans Gayrimenkul Yatirim A.S. (see 'Fitch Affirms Ronesans Gayrimenkul Yatirim at 'B'; Outlook Negative' dated 26 October 2022)

Turk Hava Yollari Anonim Ortakligi (Turkish Airlines) (see 'Fitch Upgrades Turkish Airlines to 'B+'; Negative Outlook' dated 9 February 2023)

Turk Telekomunikasyon A.S. (see 'Fitch Affirms Turk Telekom at 'B'; Negative Outlook' dated 10 November 2022)

Turkcell Iletisim Hizmetleri A.S (see 'Fitch Affirms Turkcell at 'B'; Negative Outlook' dated 10 November 2022)

Turkiye Sise ve Cam Fabrikalari AS (see 'Fitch Affirms Turkiye Sise ve Cam Fabrikalari AS at 'B'; Outlook Negative' dated 30 May 2023)

Ulker Biskuvi Sanayi A.S. (see 'Fitch Affirms Ulker Biskuvi Sanayi at 'B'; Outlook Negative' dated 17 January 2023)

## **DERIVATION SUMMARY**

See relevant RACs for each issuer.

## **KEY ASSUMPTIONS**

See relevant RACs for each issuer.

## **RATING SENSITIVITIES**

**Arcelik A.S.**

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- The ratings could be upgraded if Turkiye's Country Ceiling were upgraded.

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- A lowering of Turkiye's Country Ceiling and/or weakening of FC debt coverage ratios.

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action on the Local-Currency (LC) IDR:**

- Substantial deterioration in liquidity or consistently negative free cash flow (FCF).

- Increased risk from Whirlpool's subsidiary acquisition leading to high opex and further deterioration in EBIT margin below 7%.

- Funds from operations (FFO) margin sustainably below 7%.

- Receivables-adjusted FFO net leverage above 3.5x.

- Weakening of the standalone credit profile (SCP) due to increased funding cost and FFO interest cover below 3x.

## **Aydem Yenilenebilir Enerji Anonim Sirketi**

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- An upgrade of Turkiye's Country Ceiling, together with the company maintaining FFO leverage below 5x, FFO net leverage below 4.5x and FFO interest cover above 2.5x on a sustained basis without significant weakening in revenue visibility.

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- A downgrade of Turkiye's Country Ceiling.

- Delayed commissioning of new projects, generation volumes well below current forecasts, a sustained reduction in profitability or a more aggressive financial policy leading to FFO leverage above 6x, FFO net leverage above 5.5x and FFO interest cover below 1.7x on a sustained basis. Deterioration of the business mix with feed-in tariffs

(FiT)-linked revenue representing less than 60% on a structural basis could lead to a tightening of these sensitivities.

#### **Emlak Konut Gayrimenkul Yatirim Ortakligi A.S.**

##### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- An upgrade of the Country Ceiling.

##### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- Deterioration of the operating environment and a downgrade of the Country Ceiling.

##### **The following Factors Could Lead to a Negative Rating Action (on a Standalone Basis):**

- Material changes in the relationship with Turkiye's Housing Development Administration (TOKI), causing deterioration in Emlak Konut's financial profile and financial flexibility.
- FFO gross and net leverage above 7x and 6.5x (net debt/EBITDA above 6x), respectively.
- Deterioration in the liquidity profile over a sustained period.

#### **Ordu Yardimlasma Kurumu (OYAK)**

##### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- An upgrade of Turkiye's Country Ceiling assuming no deterioration in the company's credit profile.

##### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- Fitch-adjusted dividend interest coverage below 3x.
- Weakening in the credit quality of its portfolio.
- Fitch-adjusted loan-to-value ratio sustained above 50%.
- Decreased diversification of cash flow leading to increasing dependency on a single asset.

#### **Pegasus Hava Tasimaciligi A.S.**

##### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade on the LC IDR:**

- Total adjusted net debt/EBITDAR falls below 3.0x and/or total adjusted gross debt/EBITDAR falls below 3.5x on a sustained basis

##### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade on the LC IDR:**

- Total adjusted net debt/EBITDAR above 3.7x and/or total adjusted gross debt/EBITDAR above 4.2x on a sustained basis
- FFO fixed-charge cover below 2.0x

**Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade on the FC IDR:**

- An upgrade of the LC IDR along with upgrade of the Country Ceiling as we are unlikely to have the company's FC IDR more than two notches above the Country Ceiling

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade on the FC IDR:**

- A downgrade of Turkiye's Country Ceiling, especially associated with weaker operating environment and drivers affecting external tourism demand
- A downgrade of the LC IDR

**Ronesans Gayrimenkul Yatirim A.S.****Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- A positive rating action is limited by Turkiye's Country Ceiling, assuming the company's credit profile does not materially change.

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- Further weakening of Turkish economic conditions and/or a further significant depreciation in the Turkish lira.
- Net debt/EBITDA above 11.5x over a sustained period.
- Reduced headroom in secured debt covenants leading to a breach of covenants.
- Failure to address refinancing risk ahead of debt maturities, including clarifying the expected currency, interest rate and tenor of refinanced debt.

**Turk Hava Yollari Anonim Ortakligi (Turkish Airlines or THY)****Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- An upgrade of Turkiye's sovereign rating and Country Ceiling would be positive for THY's IDRs. A revision of the Outlook on Turkiye's sovereign rating would be replicated on THY.
- FFO adjusted gross leverage and EBITDAR leverage below 3.5x, FFO fixed charge over 2.5x, all on a sustained basis could lead to an upward revision of the SCP.

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- A downgrade of Turkiye's sovereign rating and Country Ceiling.
- Tighter links with the government.
- FFO gross adjusted leverage and EBITDAR leverage above 4.5x, FFO fixed-charge cover below 2x, all on a sustained basis may lead to a downward revision of the SCP.

**Turk Telekomunikasyon A.S. (TT)****Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- Positive rating action on Turkiye, would lead to a corresponding action on TT, provided TT's SCP is at the same level or higher than the sovereign rating, and the links between the government and TT remain strong.

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- FFO net leverage above 5x on a sustained basis (equivalent to net debt/EBITDA of 5x).
- Material deterioration in pre-dividend FCF margin, or in the regulatory or operating environments.
- Negative action on Turkiye's Country Ceiling or Long-Term LC IDRs could lead to a corresponding action on TT's Long-Term FC or LC IDRs, respectively.
- Sustained increase in foreign-exchange mismatch between TT's net debt and cash flows.
- Excessive reliance on short-term funding, without adequate liquidity over the next 12-18 months.

**Turkcell Iletisim Hizmetleri A.S (Tcell)****Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- An upgrade of Turkiye's Country Ceiling, assuming no change in Tcell's underlying credit quality.

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- FFO net leverage above 5x on a sustained basis (equivalent to net debt/EBITDA of 5x).
- Material deterioration in pre-dividend FCF margin, or in the regulatory or operating environments.
- Sustained increase in foreign-exchange mismatch between net debt and cash flows.
- A downgrade of Turkiye's Country Ceiling.
- Excessive reliance on short-term funding, without adequate liquidity over the next 12-18 months.

**Turkiye Sise ve Cam Fabrikalari AS (Sisecam)****Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- An upgrade of Turkiye's Country Ceiling assuming no deterioration in the company's credit profile

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- A downgrade of Turkiye's Country Ceiling.
- FFO margin below 8%.
- FFO net leverage above 4.5x on a sustained basis.

**Ulker Biskuvi Sanayi A.S.****Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- An upgrade of Turkiye's Country Ceiling, assuming maintenance of FFO net leverage and EBITDA net leverage consistently below 5x and 4.5x, respectively, supported by stabilisation of the Turkish lira and a consistent financial and cash-management policy.
- Stable market share in Turkiye or internationally.
- Neutral to positive FCF on a consistent basis.

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- Deteriorated liquidity position with inability to repay or refinance debt maturing in 2023.
- FFO and EBITDA net leverage remaining above 6x and 5.5x, respectively, due to M&A, investments in high-risk securities or related party deals leading to large cash leakage outside Ulker's scope of consolidation.
- Increased competition or consumers trading down, eroding Ulker's market share in Turkiye or internationally.
- FCF remaining permanently negative.
- Downgrade of Turkiye's Country Ceiling to below 'B'.

**For the sovereign rating of Turkiye, Fitch outlined the following sensitivities in its rating action commentary of 8 September 2023:****Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:**

- Macro: A return to unconventional policy mix or an incomplete policy rebalancing that increases macroeconomic and financial stability risks, for example, an inflation exchange-rate depreciation spiral, weaker depositor confidence and/or increased vulnerabilities in banks' balance sheets.
- External Finances: Increased balance of payments pressures, including sustained reduction in international reserves, for example, due to reduced access to external financing for the sovereign or the private sector and/or sustained widening of the current account deficit.
- Structural Features: Serious deterioration of the domestic political or security situation or international relations that severely affects the economy and external finances.

**Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:**

- Macro: Greater confidence in the sustainability of the current policy normalisation and rebalancing process resulting in improved macroeconomic stability, including a sustained reduction in inflation.
- External Financing: A reduction in external vulnerabilities, for example, due to sustained narrowing of the current account deficit, increased capital inflows, improvements in the level and composition of international reserves and reduced dollarisation.

**LIQUIDITY AND DEBT STRUCTURE**

See relevant RACs for each issuer.

**ISSUER PROFILE**

See relevant RACs for each issuer.

**SUMMARY OF FINANCIAL ADJUSTMENTS**

See relevant RACs for each issuer.

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

**PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

See relevant RACs for each issuer.

**ESG CONSIDERATIONS**

Ulker has an ESG Relevance Score of '4' for group structure due to the complexity of the structure of the wider Yildiz group and material related-party transactions. This has a negative impact on the credit profile, and is relevant to the rating in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

**RATING ACTIONS**

ENTITY / DEBT ⇅	RATING ⇅	RECOVERY ⇅	PRIOR ⇅
Emlak Konut Gayrimenkul Yatirim Ortakligi A.S.	LT IDR	B Rating Outlook Stable Affirmed	B Rating Outlook Negative
	LC LT IDR	B Rating Outlook Stable Affirmed	B Rating Outlook Negative
	Natl LT	AA(tur) Rating Outlook Stable Affirmed	AA(tur) Rating Outlook Negative
Turk Telekomunikasyon A.S.	LT IDR	B Rating Outlook Stable Affirmed	B Rating Outlook Negative
	LC LT IDR	B Rating Outlook Stable Affirmed	B Rating Outlook Negative
	Natl LT	AAA(tur) Rating Outlook Stable Affirmed	AAA(tur) Rating Outlook Stable

senior unsecured	LT	B	Affirmed	RR4	B
Türkiye Sise ve Cam Fabrikalari AS	LT IDR		B Rating Outlook Stable	Affirmed	B Rating Outlook Negative
senior unsecured	LT	B	Affirmed	RR4	B
Ronesans Gayrimenkul Yatirim A.S.	LT IDR		B Rating Outlook Stable	Affirmed	B Rating Outlook Negative
senior unsecured	LT	B	Affirmed	RR4	B
Türkcell İletişim Hizmetleri A.S.	LT IDR		B Rating Outlook Stable	Affirmed	B Rating Outlook Negative
	Natl LT		AAA(tur) Rating Outlook Stable		AAA(tur) Rating Outlook Stable
			Affirmed		
senior unsecured	LT	B	Affirmed	RR4	B
Pegasus Hava Tasimaciligi A.S.	LT IDR		BB- Rating Outlook Stable		BB- Rating Outlook Negative
			Affirmed		
	LC LT IDR		BB- Rating Outlook Stable		BB- Rating Outlook Negative
			Affirmed		
	Natl LT		AAA(tur) Rating Outlook Stable		AAA(tur) Rating Outlook Stable
			Affirmed		
senior unsecured	LT	BB-	Affirmed	RR4	BB-
Ulker Bisküvi Sanayi A.S.	LT IDR		B Rating Outlook Stable	Affirmed	B Rating Outlook Negative
senior unsecured	LT	B	Affirmed	RR4	B



Arcelik A.S.	LT IDR	BB-	Rating Outlook Stable	Affirmed	BB-	Rating Outlook Negative
	LC LT IDR	BB+	Rating Outlook Stable	Affirmed	BB+	Rating Outlook Negative
	Natl LT	AAA(tur)	Rating Outlook Stable	Affirmed	AAA(tur)	Rating Outlook Stable
senior unsecured	LT	BB-	Affirmed		RR4	BB-
Ordu Yardimlasma Kurumu (Oyak)	LT IDR	B	Rating Outlook Stable	Affirmed		B
Aydem Yenilenebilir Enerji Anonim Sirketi	LT IDR	B	Rating Outlook Stable	Affirmed		B
senior secured	LT	B	Affirmed		RR4	B
Turk Hava Yollari Anonim Ortakligi (Turkish Airlines)	LT IDR	B+	Rating Outlook Stable	Affirmed		B+
	LC LT IDR	B+	Rating Outlook Stable	Affirmed		B+

[VIEW ADDITIONAL RATING DETAILS](#)
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**PARTICIPATION STATUS**

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

**APPLICABLE CRITERIA**

[Government-Related Entities Rating Criteria \(pub. 30 Sep 2020\)](#)

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 09 Apr 2021\) \(including rating assumption sensitivity\)](#)

[Corporate Rating Criteria \(pub. 28 Oct 2022\) \(including rating assumption sensitivity\)](#)

[Corporates Exceeding the Country Ceiling Criteria \(pub. 08 Dec 2022\) \(including rating assumption sensitivity\)](#)

[Country-Specific Treatment of Recovery Ratings Criteria \(pub. 03 Mar 2023\)](#)

[Sector Navigators: Addendum to the Corporate Rating Criteria \(pub. 12 May 2023\)](#)

[Investment Holding Companies Rating Criteria \(pub. 26 May 2023\) \(including rating assumption sensitivity\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(pub. 16 Jun 2023\)](#)

**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

**ADDITIONAL DISCLOSURES**

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

**ENDORSEMENT STATUS**

Aydem Yenilenebilir Enerji Anonim Sirketi

UK Issued, EU Endorsed

Arcelik A.S.

UK Issued, EU Endorsed

Emlak Konut Gayrimenkul Yatirim Ortakligi A.S.

UK Issued, EU Endorsed

Ordu Yardimlasma Kurumu (Oyak)	UK Issued, EU Endorsed
Pegasus Hava Tasimaciligi A.S.	UK Issued, EU Endorsed
Ronesans Gayrimenkul Yatirim A.S.	UK Issued, EU Endorsed
Turk Hava Yollari Anonim Ortakligi (Turkish Airlines)	UK Issued, EU Endorsed
Turk Telekomunikasyon A.S.	EU Issued, UK Endorsed
Turkcell Iletisim Hizmetleri A.S	EU Issued, UK Endorsed
Turkiye Sise ve Cam Fabrikalari AS	UK Issued, EU Endorsed
Ulker Biskuvi Sanayi A.S.	UK Issued, EU Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit

ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. Sector-specific best- and worst-case scenario credit ratings are listed in more detail at <https://www.fitchratings.com/site/re/10238496>

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